



U.S. Department of State FY 2001 Country Commercial Guide: Thailand

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CHAPTER I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a detailed overview of Thailand's commercial environment using economic, political, and market analysis. CCGs were established by the Trade Promotion Coordinating Committee to consolidate U.S. Government reporting documents prepared for the American business community. Country Commercial Guides are prepared annually at select U.S. Embassies around the world through the combined efforts of several U.S. Government agencies.

The new millennium began in the Kingdom of Thailand following a yearlong celebration of King Bhumibol's Adulyadej (Rama IX), Sixth Cycle 72nd Birthday, a highly auspicious occasion in the Buddhist chronology. The new year commenced with signs of continued vitality in a Thai economy rebounding from the 1997-98 economic crisis that swept the economies of Asia's economic tigers. Posting a solid 4.2 percent growth rate in 1999, most economic experts forecast continued economic growth for Thailand of between 4-5 percent in the foreseeable future. While continuing problems in resolving problem loans in the financial sector mean that Thailand's economy is not without dark clouds, strength in exports, private consumption and more recently private investment have bolstered the nation's confidence. Despite the difficult period of the last few years, Thailand remains a remarkably stable anchor in Southeast Asia, with a thriving democracy under its constitutional monarchy.

Thailand's GDP totaled US\$123 billion in 1999. Compared to some of their neighbors, Thai citizens enjoy a comparatively rich per capita income of US\$2,370. In Thailand's largest city, Bangkok, residents enjoy a per capita income of US\$6,000 and in this country of abundant food and natural resources, a level of purchasing power parity exceeding that of many countries with higher income levels. According to the World Bank, Thailand is expected to attain its pre-crisis level of output in 2002, and its pre-crisis level of welfare in 2003.

Thailand was the United States' 25th largest export market in 1999 with US exports totaling more than US\$4.9 billion. In the fourth quarter, American exports finally displayed a sustained rebound from the drop resulting from the economic crisis and year-on-year growth exceeded 30 percent in the first quarter of 2000. The U.S. is Thailand's single largest trading partner (ahead of Japan) with 1999 two-way trade of US\$19 billion. The U.S. is Thailand's second largest foreign investor (following Japan) with a total accumulated direct investment of over US\$15 billion, with half of U.S. investments in the energy and petrochemical industries.

Major investments in Thailand by American and third country firms continue to occur on a regular basis. Sectors with long-term planning horizons, e.g., energy, petrochemicals,

automotive, continue to find Thailand an attractive location for investment. For example, General Motors opened a \$600 million new vehicle assembly plant in mid-2000, joining Ford and other automotive manufacturers in Thailand, solidifying the country's reputation as the "Detroit of Southeast Asia". Increasingly, companies investing in Thailand are those requiring skilled but cost-competitive labor. In addition, as Thailand slowly moves ahead with its near to medium term plans to privatize many state-owned enterprises, additional opportunities both for investment as well as sales of equipment should arise in important sectors such as energy, aviation and telecommunications.

In summary, most international companies recognize the long-term potential within Southeast Asia's regional markets. While the economic crisis of 1997-98 forced companies to re-formulate market development strategies, very few American firms decided to withdraw from Thailand. Thailand continues to provide a cost-effective regional manufacturing and distribution hub for the greater Mekong and ASEAN region and every month sees new investment in Thailand to serve the renewed growth in demand among the Southeast Asian economies. American firms hoping to sell into Thai markets can succeed by offering quality, reliability and value in Thailand's increasingly productivity-drive and price-conscious marketplace. This Country Commercial Guide provides the U.S. Embassy's best current overview and assessment of the current and future prospects for the economy of the Kingdom of Thailand.

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CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

The Thai economy returned to modest growth in 1999, chalking up a 4.2 percent gain in real Gross Domestic Product (GDP). While this was much lower than the nearly 10 percent annual GDP growth Thailand enjoyed during the "boom years" up through the mid-1990s, it constituted a solid rebound from the sharp 10.2 percent fall the economy suffered in 1998, the year after financial crisis struck Thailand and spread through Asia. That crisis, which officially began when Thailand abandoned its defense of the Baht and floated the currency on July 2, 1997, decimated the local financial sector and crippled the real sector. Overall, 74 out of 107 financial institutions (the vast majority OF finance companies) were either shut down, taken over by the state as insolvent, or merged with others; non-performing debt climbed to 48 percent of total financial system assets; manufacturing production declined for 17 straight months; and investment (gross fixed capital formation) plummeted by nearly half between 1996 and 1999.

Thailand began rebuilding from the crisis under an IMF-led assistance package worth \$17.2 billion. The package, approved and put in place in mid-August 1997 with near-record speed, allowed Thailand to rebuild its depleted foreign exchange reserves, halt panic-driven runs on financial institutions and eventually stabilize the currency. (Thailand completes its IMF program in mid-June 2000, having withdrawn \$14.3 billion of the total. The IMF will conduct "post-crisis" monitoring on a quarterly basis.) From the beginning, the government recognized that rebuilding the financial sector and resolving the non-performing debt overhang would be key to Thailand's return to growth. Addressing these financial sector issues, in cooperation with the IMF, claimed the major share of the government's attention through the end of 1998. From early 1999, with the macro-economy stabilized, the government increasingly focused on stimulating domestic demand and investment through a variety of programs outlined in major stimulus packages in March and August of that year.

Most analysts believe the economy bottomed out in late 1998, and the statistics bear out that assessment. Positive growth began in the first quarter of 1999, with real GDP finishing 0.2 percent above the same period of 1998, and the economy continued in the plus column throughout the year. Real GDP totaled 4.2 percent growth for the year. The Thai government estimates that the economy will grow 4.5 to 5 percent in 2000, building on 1999's respectable performance and estimates of first quarter 2000 growth of 5 percent.

The most important drivers of the economic expansion have been increased domestic consumption and exports. Government stimulus programs announced in March and August 1999 boosted domestic consumption and investment, pumping the equivalent of 3.5 percent of GDP into the economy beginning in March in the form of new jobs, new government spending, and tax and energy price cuts, and adding tariff reductions and investment promotion measures worth 2.2 percent of GDP in August. Private consumption rose 3.5 percent in 1999, and investment, which witnessed double-digit declines throughout 1998 and 1999, finally began to turn positive in December 1999. Exports have performed even better. In 1999, exports bettered the government's initial forecast to finish the year up 7.4 percent, and increased their pace during the first quarter of 2000. Exports during the quarter climbed 30 percent over the same quarter a year earlier, confirming the government's upward revision of its export growth forecast to 9.6 percent for the year.

The government officially projects real GDP will grow 4.5 percent in 2000, but officials have publicly said they expect even higher growth, perhaps in the 5 percent range. Given the robust export performance during the first quarter of 2000, this expectation of higher growth seems reasonable. Manufacturing, trade, and services are expected to be major contributors to growth, but the government will play a role as well, with public enterprise investment expected to increase and the government planning to continue its fiscal deficit at least through fiscal year 2001. Given the structure of Thai manufacturing, imports are again likely to grow faster than exports, leading to smaller projected current account and balance of payments surpluses in 2000 than were recorded last year. Nonetheless, overall macro-economic indicators should continue through the year firmly in positive territory. The currency is relatively stable, inflation should stay within bounds (2.5-3 percent for the CPI), international reserves should remain stable (in excess of \$30 billion), and interest rates are unlikely to change significantly from current levels. Thailand is making significant progress in addressing remaining obstacles to solid economic

growth over the medium term. Given continued progress and the absence of major external shocks (such as a major U.S. downturn), the Thai economy should expect moderate growth again in 2001.

For the most part Thailand retains the fundamental strengths that have made it a generally attractive destination for investment. Its strategic location at the center of Southeast Asia has helped make Thailand an export platform, but its economy is diversified with a growing domestic market. Transportation and communications infrastructure has improved dramatically over the recent past, and additional expansion, some funded by the government's fiscal stimulus program, is underway. Thailand has no industrial policy directing investment, and several successive governments have committed the country to an increasingly open trade and investment regime. Thailand's political process is democratic and pluralistic, and the military no longer plays a central role in that process. While parliamentary elections are expected later this year, most observers do not expect major government economic policy changes that would affect business prospects for foreign investors, regardless of the composition of the incoming government. Doing business in Thailand has challenges, to be sure, but the government appreciates the need for foreign investment, and this is certain to remain a central tenet of Thai economic policy. Thailand's basic strengths and the government's policy initiatives should provide better opportunity for American investors and business over the medium term as the economy recovers from the economic crisis that began here in 1997.

THE GOVERNMENTS ROLE IN THE ECONOMY

The government has played the major role in setting the framework and establishing the conditions for Thailand's economic recovery, particularly in the financial arena. Government efforts and policies have stabilized the currency, lowered interest rates, liberalized regulations governing foreign investment, strengthened the bankruptcy regime and remedies available to creditors, and forced financial institutions to recapitalize. However, with the exception of state enterprises in utilities, transportation, energy, tobacco and (now) commercial banking, the government plays little direct role in the economy. The government has an announced policy of privatizing these enterprises and approved a master plan to do so in September 1998. However, progress has been very slow overall, and there is significant opposition by the workers of some enterprises to their privatization. The major exception has been in the financial sector, where the government has re-privatized two banks acquired during the sector's restructuring. (Both institutions are now majority owned by foreign banks.) Agreement has been reached on the sale of one more bank, and the sale of another is likely within this year.

The financial crisis did force some budget retrenchment, although the declines were relatively modest in local currency terms. The FY 2000 budget calls for expenditures of Bt860 billion (\$22.6 billion), and the government has requested Bt910 billion (\$23.9 billion) for FY 2001. Spending by category for the current fiscal year remains broadly similar to that in previous years. Education tops the list, claiming over 25 percent of the budget. Social services and general administration take 11 and 12 percent respectively. National security and public order receive 16 percent, while agriculture, communications and transportation, and public health are each allotted approximately 7.5 percent of the budget. Debt service now claims slightly over

9 percent. The government's FY 2001 budget, which calls for a deficit of Bt105 billion (\$2.8 billion) to continue stimulating domestic demand, should go to parliament mid-summer, and budget allocations are expected to remain roughly similar.

BALANCE OF PAYMENTS

Thailand traditionally ran a balance of payments surplus in which foreign investment and foreign borrowings outweighed a deficit in the current account. In 1997, however, the positions of the capital and current accounts shifted. The current account deficit declined dramatically, and the capital account turned negative as foreign investment plummeted and foreign borrowings were repaid. The overall balance of payments in 1997 fell to a deficit -- the first in decades -- of \$10.6 billion. By 1998 the balance of payments had returned to surplus (\$1.7 billion), with a current account surplus, the product of a modest export revival and very weak imports, outweighing a continued deficit in the capital account. The same conditions applied in 1999, with a current account surplus averaging nearly \$1 billion per month combining with lower capital outflows to yield an overall balance of payments surplus of \$4.6 billion.

Officially, the government expects the balance of payments surplus to decline to \$0.2 billion in 2000 based on a current account surplus of \$7.7 billion and implied capital outflows in the neighborhood of \$7.5 billion. Overall, foreign reserves are expected to remain comfortably above \$30 billion, enough to cover seven to eight months of imports, and equal to nearly three times Thailand's remaining stock of short-term external debt.

INTERNATIONAL TRADE

International trade has played a major role in Thailand's economic development, and a rebound in exports has been the major driving factor in the current economic recovery. Even though regional markets weakened in 1997 and early 1998, demand for Thai products in the U.S. and the EU remained strong, keeping Thai exports from declining further and providing a solid basis upon which to build in 1999. Thai exports overall increased by 7.4 percent in 1999, and U.S.-bound exports climbed 6.7 percent to \$14.3 billion (according to U.S. Department of Commerce figures). Major exports to the U.S., Thailand's largest export market, include electronic equipment, fish and agricultural products, clothing, jewelry, luggage, and shoes. Thai imports jumped almost 18 percent in 1999 as recovery began, although the U.S. share failed to keep pace. For the year as a whole, Thai imports of electronic goods and equipment, machinery, etc., from the U.S. (again according to Department of Commerce figures) totaled just \$5 billion, leaving the U.S. with a \$9.3 billion deficit -- up 13 percent from 1998 -- in the bilateral trade. Based on trade data for the first quarter of 2000, this deficit seems likely to expand modestly through the course of the year.

Thailand's robust export performance during the 2000 first quarter is of course promising for growth over the near- and medium-term. However, there are concerns over the long-term sustainability of a growth strategy premised on ever-increasing exports to the U.S. and EU markets, where there are already signs of market saturation for some traditional Thai exports,

such as textiles and garments, handicrafts, rubber goods, and agricultural products. Not only is the ability of these markets to take significant increases in doubt, but Thai export producers are facing keen competition from other Asian exporters in these sectors and increasingly in electronics as well. Thailand's aspirations to move up the technology curve face other problems, particularly the educational level of the workforce.

In trade policy terms, Thailand pursues largely open market policies and is implementing on schedule liberalization commitments assumed when it joined the WTO. Thailand continues to be a force for freer trade in ASEAN and is a member of the Cairns Group of agricultural exporters. On the other hand, Thailand maintains high tariffs on a number of agricultural products and still provides tariff protection for some domestic industries. Thailand's average collected tariff rate at present is 18 percent, although tariffs on industrial goods average a lower 13.4 percent.

WHERE THE ECONOMY STANDS NOW

The macro-economic fundamentals and data clearly portray an economy in recovery, and anecdotal evidence --more advertising, more want ads, and more shops opening, for example -- confirm the recovery. Most Thai are also of the opinion that the economy is now well off its 1998 lows. However, there is great concern that the recovery may not be sustainable, that Thailand will slip back into recession. There are, in fact, valid reasons for concern, although most Thai apparently regard them more seriously than seems warranted. Some of the more common reasons underpinning this lack of confidence in their own economy seem legitimate -- continuing high levels of non-performing debt, for example -- while others -- such as movements in the equities market -- are clearly less relevant as indicators of the economy's overall performance.

Confidence issues aside, the real economy is beginning to show solid improvement, although the record is spotty. The majority of companies listed on the Stock Exchange of Thailand recorded operating profits during the 2000 first quarter, and even financial institutions came in with significantly better results during the quarter. With corporate debt restructuring picking up momentum and banks' provisioning requirements declining, the financial sector should expect results to continue improving throughout 2000.

On balance, the government's expectation of 5 percent growth in real GDP for 2000 seems well within reach. Keys to maintaining this into 2001 lie not only within Thailand but with external events over which Thailand has no control. The government has made considerable progress since the onset of the crisis in mid-1997 in establishing the conditions and legal framework necessary for the recovery to take hold, although much remains to be accomplished. Thai authorities note that the economy today is much more diversified and better prepared to weather external shock, although a major disruption in Thai export markets would hamper the growth of exports. Barring that, however, the economy seems well prepared to continue moderate growth over the medium-term.

PRINCIPAL GROWTH SECTORS

Thailand's economic recovery from the 1997-98 crisis has been export-led, and those sectors have among the brightest prospects in the current Thai economy. Principally, electronics manufacturing and assembly and the automotive sector have driven Thailand's export boom. There have been significant new foreign investments in plant and equipment during the recovery, with a number of major companies buying out their Thai manufacturing partners, while others have invested to make Thailand a regional manufacturing hub for Southeast Asia. Exports continue to demonstrate a strong growth rate of 30 percent through the first quarter 2000. Thailand's export strength is found both in traditionally strong sectors such as electronic parts and integrated circuits, fisheries products and apparel as well as new sectors, most notably automotive, where exports of finished vehicles and auto parts and components exceeded \$1 billion in 1999. New large-scale investments in Thailand's automotive sector continue to be made with a new General Motors assembly plant opening in mid-2000 and other firms such as Volkswagen establishing assembly plants and new parts makers setting up shop as well. Hence, automotive-related industries should play a greater role as an engine of Thai economic growth.

Thailand is also seeing a late-blooming emphasis on improving its information technology infrastructure in response to growth in internet-related services demand, the requirements of supply chain management systems and more integration of suppliers into global manufacturing networks. Most industry experts foresee strong growth in both the hardware and software markets in industrial, commercial and consumer applications in the IT sector.

Some leading sectors from pre-crisis times remain as primary targets for government programs; most notably the agriculture sector, where programs to increase productivity remain priorities on the public agenda. These include a large-scale program to improve water resource management funded by a loan from the Asian Development Bank.

INFRASTRUCTURE AND PRIVATIZATION

Thailand's once booming infrastructure investment sector has seen a significant slowdown because of the economic crisis and the resulting financial constraints on both the public and private sectors. Still, some major projects are remain viable and on the drawing boards of the national economic development plans with much of the funding provided through loans by the Japan Bank for International Cooperation. For example, the long-delayed Second Bangkok International Airport at Nong Ngu Hao in suburban Samut Prakan province continues to move ahead, as government transportation planners react to the projected capacity problems at Bangkok's existing Don Muang International Airport. Site preparation has been underway for several years and ground improvements for the first of two runways are nearing completion. Tendering for the \$1.2 billion passenger terminal complex began in June 2000 and actual construction of the terminal is expected to begin in 2001. Government officials have projected that the \$3.5 billion airport will open in December 2004, although most aviation industry observers view this date as overly optimistic.

In the transportation sector, a number of mass transit projects continue to move ahead. In December 1999, Bangkok's elevated fixed rail Skytrain project opened a 23 kilometer, two-line route through central Bangkok, making the \$1.5 billion system the world's largest privately

financed mass transit system. An additional 20 kilometer extension of the Skytrain has been approved by government authorities. The estimated \$825 million cost of the extension will also be privately financed. The state-owned Metropolitan Rapid Transit Authority is overseeing the construction of Thailand's first subway system, now scheduled to open in mid-2003. The initial \$2.7 billion Blue line of the system will extend for 20 kilometers in Bangkok with two extensions already approved for another 24 kilometers. Longer-term plans for an Orange line to complete the system with a total length of 81 kilometers have been put off until later in the decade.

The State Railway of Thailand (SRT) has a number of major projects on its drawing boards. The largest project would be the potential revival of the former \$3.2 billion Bangkok Railway Improvement Project which collapsed in 1997 due to financing problems of its Hong Kong sponsors, Hopewell Holdings. Under a recently completed feasibility study, the scaled-down version of a new project would provide elevated, electric commuter train service to the northern, eastern and possibly southern suburbs of Bangkok. A decision on whether to move ahead on this project will be made in the next 6 months. SRT also has separate plans to electrify existing commuter rail lines in Bangkok and to double-track certain heavily used lines east of Bangkok and on lines in the Northern and Southern parts of the country.

Privatization plans have lagged well behind the original expectations when the privatization master plan was developed by the Royal Thai Government following its agreement with the International Monetary Fund in 1997. The original plan approved by the Cabinet on September 1, 1998 was highly ambitious, specifying 59 state-owned enterprises for privatization over the period of 1998-2006. Telecommunications, water, transportation and energy were the key sectors discussed. Privatization requires significant legislative changes such as to allow the corporatization of state enterprises and the establishment of independent regulatory bodies to exercise authority currently in the hands of these state enterprises. These legislative changes have moved ahead. However, privatization plans have also faced strong political opposition from labor interests and general political uneasiness with the growing role of foreign ownership of major Thai business enterprises.

Nonetheless, the RTG is planning to move ahead on a round of privatization offerings in the fourth quarter 2000. The next round of privatizations will include the national air carrier, Thai Airways International, Ratchburi Electricity Generating Holding Company owned by EGAT and the Airport Authority of Thailand. All of these multi-billion dollar privatizations are expected to attract substantial foreign interest. Unfortunately, as these plans have developed, they have been scaled back in the face of opposition from labor interests to allow only the sale of minority ownership shares in these enterprises. It is expected that AAT will allow 49 percent private ownership, REGH approximately 40 percent and Thai Airways International approximately 30 percent. In the next few years, other major privatizations are scheduled in the telecommunications sector, energy and waterworks sectors, which are expected to attract substantial foreign interest.

CHAPTER III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL RELATIONSHIP WITH THE U.S.

Friendly bilateral relations between Thailand and the United States date back more than 150 years. The economic and security aspects of this relationship remain important for both countries. The United States is Thailand's most important export market and strong trade relations, with continuing U.S. support, are seen as key to Thailand's recovery from the recent economic downturn. On the security front, there have been strong ties since the end of World War II. Thailand, one of America's five treaty allies in the Asia-Pacific region, sent troops to Korea and Vietnam and provided strong support for our efforts in the Persian Gulf. The two countries maintain an extensive bilateral military exercise program, and many Thai military officers receive training in the U.S. each year. American equipment is still the technology of choice for most Thai military purchases.

The U.S. and Thailand also work together to address a range of economic issues, including protection of intellectual property rights. Increasingly, cooperative efforts with Thailand on regional economic and security matters are undertaken through multilateral fora, such as the Asia-Pacific Economic Cooperation forum (APEC) and the ASEAN Regional Forum (ARF), complementing bilateral consultations.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

The Thais' external political view is increasingly centered on the development of a stronger regional economic and security foundation. Thailand is a major force in the Association of Southeast Asian Nations (ASEAN) and plays an active role in regional economic organizations such as the Asia-Pacific Economic Cooperation forum (APEC) and international organizations such as the World Trade Organization (WTO). With little immediate military threat to its sovereignty, Thailand has focused its international policy on trade development and investment, while addressing security concerns by strengthening bilateral ties with its neighbors and reducing tensions regionally through ASEAN and the ASEAN Regional Forum (ARF).

The economic crisis set in motion a chain of events, which resulted in a change of government in late 1997. The new government, led by Prime Minister Chuan Leekpai, quickly established itself as willing to undertake financial restructuring measures in cooperation with the IMF. In an effort to restore international investor confidence, interest rates were initially kept high to control inflation. However, persistent illiquidity, with accompanying credit scarcity, had the effect of damping private sector activity and resulted in business failures and layoffs. While the economic downturn led to occasional anti-government protests, mostly concerned with farm-gate prices for agricultural products, wide-scale violent political or social unrest did not occur, in part because of Thailand's traditional benign cultural context.

SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE OF ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

Thailand is a constitutional monarchy ruled by King Bhumibol Adulyadej (Rama IX), a much-revered monarch who has reigned since 1946. The King plays little part in day-to-day government operations, but serves as a powerful symbol of Thai national identity and commands

enormous moral authority, which he uses on occasion to resolve internal crises or to draw the government's attention to pressing social problems. Real power, however, lies in the hands of a democratically elected government led by a Prime Minister. Since World War II, Thailand has alternated periods of democratically-elected civilian governments with authoritarian rule brought about by coups-d'etat. The military last seized power in 1991, but after middle-class protests and royal intervention, civilian rule was restored in 1992. Since then, the military has taken pains to avoid interfering in the operation of civilian government.

Because Thailand has so many political parties, each civilian government has been a multi-party coalition easily destabilized by disagreements between the parties. No government elected since 1992 has yet completed a 4-year term. Chuan Leekpai of the Democrat party heads the current government, which came to power in November 1997, following the resignation of Prime Minister Chavalit Yongchaiyudh. Prime Minister Chuan's cabinet includes several noted economic experts.

National elections for Members of Parliament must be held no later than two months after mid-November 2000, when the four-year term of the current House expires. However, the Prime Minister may choose to dissolve the House and call elections before that date. Elections for the country's first elected Senate were held in March 2000, but the Senate was delayed in taking office due to additional rounds of elections necessitated by electoral law violations.

With the exception of the Democrat Party, Thailand's oldest organized political party, Thai political parties tend to be centered on individual personalities rather than ideologies. All accept working within a framework of democratic principles and free enterprise economics. Frequent changes in government generally have not affected the country's overall stability, largely because policies, for the most part, are designed and executed by a competent professional bureaucracy. The democratic ethos continues to develop and expand, in spite of economic setbacks. The economic crisis has actually been a stimulus to political reform. While the military retains a major influence in Thai society, strong public opinion against coups d'etat and a vocal free press have limited its role in politics. Meanwhile reforms mandated by Thailand's 1997 constitution, including establishment of a National Counter Corruption Commission and a new national Election Commission have helped Thailand move toward a more transparent and open system of government.

CHAPTER IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Distribution and sales channels of industrial goods normally comprise two channels: 1) exporter, importer to end-user; and 2) exporter to end-user. The selection of distribution and sales channels depends largely on the type of product and the end-user. Products that require after sales service should have an importer representing them locally. Generally, the end-user's confidence will increase if there is a place where he/she can go and get assistance every time a machine needs service. The end-user normally prefers dealing with an agent or distributor as there is not any language and distance barriers. The end-user can expect an immediate response

to inquiries. The agent or distributor also facilitates customs procedures for the end-user. It should be noted that, in general, only local agents, distributors, or manufacturer's branch offices in Thailand are eligible to enter bidding for government tenders. In the past, large-scale end-users tended to source their needs directly with exporters or manufacturers abroad, especially on turnkey projects. This trend has died down in the past four to five years and especially since the economic crisis.

For consumer goods, there are generally three distribution and sales channels: 1) exporter, importer, retailer, to end-user; 2) exporter, importer, wholesaler, retailer, to end-user; 3) exporter, retailer, to end-user. Perishable consumer goods tend to go through the first channel, which is short and fast. In this channel, importers tend to act as a wholesaler at the same time. Non-perishable consumer goods normally go through the second or third channel. The second channel seems to be the favored channel, especially with small ticket items, as there are over 250,000 mostly small retail outlets in Thailand. Working through wholesalers will give better market coverage.

INFORMATION ON TYPICAL PRODUCT PRICING STRUCTURES

The market in Thailand is open and very competitive. Thai customers agree that price is a significant factor in selecting which products to purchase, especially as a result of the economic crisis. Detailed market analysis is recommended for developing a pricing strategy in this market. U.S. firms need to study such factors as the channels of distribution, necessary sales and promotion techniques and the current pricing practices of key competitors. Standard credit payments, as in most international trade, apply in Thailand as well.

Importers of large equipment or machinery charge a commission of 5-10 percent and allow their customers to open L/Cs themselves. Manufacturers or wholesalers normally receive a 5-10 percent profit margin. Retailers and distributors of local products receive a 30-40 percent margin.

Thai consumers are very price conscious. In fact, less than half of Thai consumers report buying based on brand-name recognition and first time buyers often buy on price alone. Consumers are often offered free gifts or extra options with their purchases. In addition, midnight sales or occasional sales have proven to be quite successful. Retailers charge their customers very low margins depending on the product and the frequency of turnover. In general, the margin structure is as follows:

Convenience Stores	10-12%
Discount Stores	8-10%
Department Stores	40%
Manufacturers or Wholesalers	5-10%
Distributors of Local Products	10-15%
Direct sale of specialty products	60-80%

Direct sale of general product	40% max.
Importers of large equipment or machinery	5-10%
Importers of luxury products	60% min.

USE OF AGENTS AND DISTRIBUTORS: FINDING A PARTNER

Although Thai law does not require the use of local agents and distributors, it is one of the most efficient and effective ways to enter the market in Thailand. In Thai business culture, interpersonal relationships are a vital factor for successful business transactions. Local agents and distributors are accustomed to local business practices and requirements. They are in the market and can deliver what is required for a successful business arrangement that companies in the U.S. cannot conveniently provide from long distance. In addition, local agents and distributors will take care of regulatory affairs and acquire import permits for U.S. exporters.

U.S. exporters must invest sufficient time and attention in selecting a qualified agent and providing training for marketing and technical support staff. Frequent contact with local representatives is essential in order to build a good relationship.

The two best ways to locate an agent and/or distributor in Thailand are:

- 1) Use of Agent/Distributor Search Service (ADS) and Gold Key Service (GKS) from The Commercial Service, U.S. Department of Commerce. The ADS report would provide you with a list of companies who are in the market; have seen your product literature; have your company profile; have been interviewed by personnel from The Commercial Service in Bangkok; and are interested in representing and discussing a partnership with you. A profile of each company would be provided complete with contact information. Following the ADS report, it is recommended to use the Commercial Service Gold Key Service to meet with each potential representative in Thailand.
- 2) Participate in a related trade exhibition in Thailand. Trade exhibitions are a good venue to test the market and locate serious agents and/or distributors in Thailand. The recent economic crisis has wiped out non-serious visitors to trade exhibitions. Visiting the trade exhibition is regarded by most businesses as a good means to find new products and services.

FRANCHISING

The franchise market structure has not changed much since the crisis began in mid 1997. Food franchises command approximately 45 percent of all local and foreign franchise operations, followed by convenience stores with approximately 35 percent. The remainder is comprised of service franchises such as laundry, language and computer schools. Franchises from the United States still lead the market with an approximately 80 percent share, while local franchises have an approximately 15 percent market share. Local investors are very receptive to franchises from the United States because of their quality, brand name recognition, standards and innovation. They are also well-known for the large capital investment required. Approximately 20 percent of all local and international franchises fail each year. So, it is important that U.S. franchisers

choose the best franchisee, with know-how and dedication to adapting the franchise concepts, proven operational and marketing methods and, above all, the financial resources to launch the franchise over the long term.

After three years of economic crisis in Thailand, franchise businesses, for both international and local operators, are still suffering. However, local franchises have better growth potential than international franchises under tight economic conditions for several reasons. Investing in a local franchise requires a comparatively smaller franchise fee and a profit sharing component. In addition, the weaker Baht increases the dollar-denominated franchise fee payments, which in turn, causes a significant increase in costs to local franchisees.

The already tight competitive market, due to the economic downturn, limits the opportunity for the franchise operator to pass on these costs to the customers through price increases. Those already in the market, particularly those in fast food and consumer goods, are experiencing diminished revenues because the Thai people are being more cautious and selective in their spending. It is now much more difficult to start new international franchises in Thailand. The current dispute over the right to operate Pizza Hut in Thailand, between Tricon group, owner of the Pizza Hut franchise (USA), and the local master franchisor, has also had a negative impact on international franchisers.

However, as the recovery continues to take hold, franchising will be seen as a more attractive, relatively safe way to get back into business for many Thai investors. The franchise industry is one of very few sectors expected to continue growth on average of 30% over the next few years as the economy recovers. The best prospects in the franchising industry in the short-to-medium term are: hotel management, automotive after market, and e-commerce related industries such as delivery services, computer services, etc.

Retail Distribution in Thailand

Number of Retail Outlets by Type:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999(e)</u>
Department Stores	109	119	112	113
Hypermarket	20	44	45	46
Supermarket	98	116	124	125
Convenience Stores	1,672	2,206	2,800	3,080
Cash & Carry	16	17	18	20
Category Killer	31	54	58	59
Total	1,946	2,556	2,869	3,442

Retail Revenues by Store Type

(billions of Baht)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999(e)</u>
Department Stores	72	81	34	37

Hypermarket	19	40	26	29
Supermarket	18	21	11	19
Convenience Stores	21	27	13	14
Cash & Carry	34	34	16	15
Category Killer	164	203	100	100
Total	328	406	200	214

Notes: The above statistics are unofficial estimates,

(e) represents estimate, US \$1 = 37 Baht

Source: Siam Makro

Leading retail stores in Thailand by category:

1. Department Stores: Central Department Stores, Robinson, Imperial Department Stores, The Mall Department Stores, Isetan, Tokyu, Tang Hua Seng
2. Hypermarkets: Big C Super Centre, Lotus Super Stores, Siam Makro, Carrefour,
- 3.
3. Supermarkets: Tops, Foodland, Villa Market, Sunny's Super Market, Food Lion Supermarket, Jusco Super Market
4. Convenience stores: 7-Elevens, Am/Pm, Homemart, Family Mart, Lemon Green, Select, Tiger Mart, Star Mart
5. Cash & Carry: Super Sports, Power Buy, Office Macro Center, Office Depot, Boots, Watson's, MAX Auto Express, Marks & Spencer

DIRECT MARKETING

Direct marketing is very popular in Thailand and is expected to boom in the next few years. Since the economic crisis began in mid 1997, many people who have lost their jobs have joined the direct marketing workforce. Often, these people possess excellent business experience and are highly motivated. Direct marketing is used widely in the sales of cosmetics, health products, cleaning and household consumer goods, electrical appliances and service businesses such as life and health insurance. Major U.S. brands are Amway, Nu Skin, Herbal life, and Avon. Although direct marketing has proven to be very successful in the Thai market, many problems still need to be solved such as poor product quality, loss during delivery, flake, etc. To boost consumer confidence in direct-sales, Thailand needs to pass stronger consumer protection laws. At present, the Thai government is in the process of drafting a specific direct selling law.

Direct marketing and mail order sales are both benefiting from the increased popularity of individual credit cards in Thailand. Credit cards stretch the buying power of Thai consumers and facilitate retail sales through non-traditional venues including mail order and electronic commerce. Leading the market in this sector are American Express (Amex) and Citi Bank (Visa

Card and Master charge card). Most major department stores in Thailand are also pursuing direct marketing via mail order campaigns through their own networks of discount cardholders. The direct selling of household consumer goods and electrical appliances using an installment plan is gaining popularity among consumers, especially in rural areas. TV home shopping was introduced in 1999 and is well accepted and increasingly popular. E-commerce, although just emerging, is expected to do well in the future.

JOINT VENTURES/LICENSING

Joint ventures (JVs) and licensing agreements are important market entry strategies for American exporters to Thailand. In many cases, the only way to overcome costly freight charges, high tariffs and competition from cheap local goods is via local production. Thai firms need to become more technologically advanced to offset competition from lower cost producers, some of whom also have devalued their currency. However, in Thailand there is no specific JV Law implemented as of yet, as such, local Thai and foreign partners who wish to become joint venture partners must enter into their particular joint venture agreement based on what both sides have agreed upon. Joint venture partnerships with funding support, technology transfer and training components are effective mechanisms to achieve this.

Many Thai firms are actively seeking U.S. joint venture partners who, along with much needed capital in these economic times, can also bring technical, marketing and management skills to a business relationship. In turn, Thai firms generally offer assets, valuable local vendor and government contacts, and established business relationships throughout the region. A number of aggressive U.S. companies have already entered into strategic joint-venture relationships with Thai partners in Indochina and China.

In addition to private investment banking and consulting firms, the American Chamber of Commerce in Thailand facilitates joint ventures in the manufacturing and service sectors. The Commercial Service at the U.S. Embassy also provides assistance in locating potential joint venture partners for American companies.

STEPS TO ESTABLISHING AN OFFICE

The primary organizational forms for commercial enterprises are the sole proprietorship, partnership, limited liability company, joint venture and foreign branch. All are similar in nature to those found in the United States. Limited liability companies, however, are more often privately-held rather than public corporations. The majority of foreign corporations operating in Thailand do so through private limited liability companies.

There are 3 major forms of partnership in Thailand:

- 1) an unregistered ordinary partnership,
- 2) a registered ordinary partnership, and
- 3) a limited partnership.

As in the United States, each form of partnership has different levels of liability for partners and different tax consequences for the partners and partnership. If a firm chooses a more formal type of organization, it may decide to form a private limited company or a public limited company. Generally speaking, the former is similar to a US privately-held corporation while the latter may offer shares to the public.

Thailand also offers the possibility of establishing a representative or regional office for those companies engaged in non-revenue generating activities. These may be offices engaged in market research and assessment, providing quality control or purchasing services to a head foreign office, providing warranty support services for products sold by its head office to the Thai market.

In any process of establishing an office, individuals and firms are strongly advised to consult at an early stage with legal or other professional advisors to ensure compliance with all applicable laws and regulations and to ensure selection of the optimal business structure for their activities in Thailand. Other considerations for American firms are to ensure there are no restrictions on foreign entity participation in a particular sector; whether there are import or other special licenses required and whether there are any special incentives available from Thai organizations such as the Board of Investment (BOI) and the Industrial Estate Authority (IEAT).

The U.S.-Thai Treaty of Amity and Economic Relations of 1966 allows U.S. majority-owned businesses, incorporated either in the United States or in Thailand, to operate on a nearly equal footing with Thai corporate entities. Consequently, U.S. corporations may establish wholly-owned subsidiaries or branch offices in Thailand without the constraints that other foreign firms face from the Alien Business Law. However, there are still government restrictions in the communications, transport and banking sectors, the exploitation of land and natural resources and the trade of domestic agricultural products. To register under the Treaty of Amity, a U.S. company needs to obtain documents from the US Commercial Service office and to file an application with the Department of Commercial Registration at the Thai Ministry of Commerce. The Commercial Service at the U.S. Embassy in Bangkok has further information.

SELLING FACTORS/TECHNIQUES

To differentiate themselves from local and third country competitors, U.S. firms should emphasize their strengths in quality, innovation, technology enhancements and customer service. Thai customers have come to expect more and better styles and designs, regular product upgrades and updated technology from U.S. companies and will often choose U.S. products and services on the basis of "value for money," not solely on cost factors. Important business practices for competitive advantages include good customer relationship management, strong local partners or distributors, reference of success and customers, and high service capabilities.

A competent marketing strategy is important for doing business in Thailand because the market structure is changing rapidly in several respects. Successful companies used the following techniques and strategies to maintain and expand market share in Thailand:

- Educate buyers on new and suitable technology, and provide high reliability and unbiased advice through direct sales to end-users;
- Identify beneficial points of specific solutions;
- Sell consulting together with solutions;
- Use training as an effective means to make potential customers aware of the quality of products and services;
- Create end-user awareness in order to expand services;
- Promote entity in business communities by advertising through media, participating in trade shows, and organizing seminars to launch new products.

Large U.S. firms have their own subsidiaries in Thailand to sell products and provide technical services. Opening a representative office and a company-owned support facility will also underline the company's commitment to the market. Due to the economic crisis, most Thai buyers require more long-term or more flexible and creative financing terms. Thai distributors prefer to deal directly with U.S. vendors and not with a regional distributor. Understanding end-users' behavior and their cultural environment helps U.S. companies to offer the most suitable products to the Thai market.

Thai law permits all foreign companies, with or without a local representative, to submit bids on public sector tenders. However, most foreign firms have found it advantageous to appoint a local agent who could deal with problems related to communications, bureaucratic procedures, local business practices and marketing when competing and bidding on government projects. A consortium of U.S. companies is acceptable for the supply of a wide range of products in large tenders.

U.S. firms should be aware that while the purchasing company may simply accept the lowest bid that meets specifications, it may also attempt to bargain with one or more of the lowest bidders to negotiate better terms. Therefore, U.S. firms should be prepared to empower their agents to take measures to increase competitiveness. On major contracts, it is advisable to have an American representative for such bargaining. In addition, the public agencies may request credit in their procurement tenders. A supplier who offers credit will have a better chance of winning bids. Sales without credit are sometimes made if other factors such as price, quality, and delivery schedules are of greater importance.

The most important requirements for new U.S. suppliers are continuous upgrading and development of new products, suitable promotional activities, good service, and qualified representatives for the local market. In addition, flexible sales policies are also important to attract potential long-term users. A Thai language manual for users is also important.

ADVERTISING AND TRADE PROMOTION

Advertising and trade promotion are important marketing tools in Thailand. Although large portions of corporate budgets for advertising were slashed during the 1997 crisis, the pace has rapidly picked up in 1998 and 1999. Most advertising media spending, ranked in order of importance, has been in national TV, radio, press, magazines, billboards, and cinema. Major advertisements backed by corporate spending in 1998 and 1999 were music, corporate, shampoo,

alcoholic beverage, office supply, exhibition, home appliance, pharmaceutical, and soft drink ads.

Most companies rely heavily on the two major English-language newspapers, "Bangkok Post" and "The Nation," for advertising but Thai-language publications should not be ruled out. For mass publicity, Thai-language newspapers are often found more appropriate and effective. Most of the major local business newspapers, such as "Prachachart Turakij," "Manager," and "Than Settakij," are exclusively in Thai.

Compared to the conventional advertising media, the Internet has become a far more dynamic and effective marketing tool. E-commerce has become widespread and a powerful business tool in almost every industry (both durable and non-durable goods). Electronic advertisements serve as channels to reach a broader client base, to develop stronger customer relations, to generate customer feedback, and to enhance a company's image.

Commercial promotions are an equally important marketing tool for both consumer and industrial products in Thailand. Consumer trade promotion in Thailand is frequently conducted by using gift premiums, discount coupons, or lucky draws, for items such as package tours, cars, or electrical appliances. Consumer trade promotion events are frequently held in supermarkets and shopping malls. Exhibiting firms repeatedly take part in these events as the cost of attending is much lower than participating in a privately organized trade fair. The Department of Export Promotion in Thailand has been actively holding sectoral exhibitions to promote Thai exports and domestic consumption.

Industrial product promotion, on the other hand, varies from industry to industry. For example, in the textile machinery industry, market leaders frequently organize their own exclusive exhibitions presenting new products and technology to specific market segments. Trade fairs with a sectoral focus serve as a screening tool since exhibitors can be certain that they will have access to the appropriate group of customers. The U.S. Commercial Service Bangkok publishes information on trade fairs and events in Thailand on their website www.csbangkok.or.th.

It is advisable that all product literature and technical specifications be translated into Thai. Successful U.S. firms operating in Thailand often arrange for their Thai agents and major customers to receive specialized training at their U.S. plant. It is also common practice to donate equipment for training purposes, when appropriate.

SALES SERVICE/CUSTOMER SUPPORT

Training, after sales service, reliable customer support, and the availability of spare parts are the most important factors cited by Thai customers in evaluating services related to their purchasing decisions. These factors are especially important for industrial product marketing. Buyers seek a quick turn around time on their requests for technical assistance and perceive such service as being provided by reliable suppliers. In case the local branch cannot provide the service, suppliers should be able to acquire support from overseas branches. Spare parts should also be available in a timely manner.

Better support and after-sales-service have placed U.S. suppliers in a much better position, compared with their European competitors, providing equal quality products, or Asian competitors, providing lower priced products. Thai customers have a greater confidence in U.S. suppliers' service and support, due to their well-trained service and support teams, their well-written manuals, and their willingness to modify product offerings. Some Thai buyers would rather invest in higher-quality, more expensive products, in order to save expensive maintenance costs following warranty expirations.

Suppliers of products that have complicated technologies should obtain a highly qualified and experienced technical team and provide technical training to their customers, or set up a customer help desk. High-end Thai customers usually consider quality, service and price respectively when purchasing products. A well trained after sales service team can increase the possibility of repeat orders. In addition, Thai customers appreciate receiving periodic technical updates and information from their suppliers.

It is important for U.S. suppliers with or without local representatives to appoint a qualified partner who can provide their customers with quality services in the Bangkok area and nationwide. Major suppliers noted that competitive pressures and margin squeezes have forced them to place higher priority on service and support in order to keep old customers and capture new ones. This information spreads quickly via word of mouth, and if positive, can increase the supplier's reputation and sales volume.

SELLING TO THE GOVERNMENT

Even though some government projects have been put on hold because of the economic crisis, U.S. exporters are highly competitive in such key fields as power generation and transmission, petroleum refining and petrochemicals, telecommunications, transportation, the environment, health care and defense. Most companies with long-term strategic views have not significantly cut back their business development efforts.

The key to successful bidding on Thai government contracts and supply tenders is to have a reputable local representative with good access to the procuring agency and knowledge of specific procurement requirements. Without this intermediary, it is very difficult to win a government project. Representatives are accepted as legitimate players in the bidding process. Agents often provide an early "heads up" to U.S. firms when they hear of attractive tenders. Before these tenders are even issued, they can sometimes ensure that the principal's product can meet all of the tender specifications.

A specific set of rules, commonly referred to as the "Prime Minister's Procurement Regulations," governs public sector procurement. These regulations require that non-discriminatory treatment and open competition be accorded to all potential bidders. However, in reality the system is not entirely transparent, nor does the Royal Thai Government always provide a level playing field for foreign bidders. The procuring government agency reserves the right to accept or reject any or all bids at any time, and is not bound to approve the lowest bid. The procuring government agency may also modify the technical requirements

during the bidding process. This flexibility can prove frustrating to bidders and charges that changes are made for special considerations have been common in the past.

Generally, the procuring government agency provides preferential treatment to domestic suppliers who receive an automatic 15 percent price advantage over foreign bidders in initial bid round evaluations. The specific laws that apply to international tenders are Regulations 87 and 89 which generally adhere to established international procedures. The "two envelope" system is commonly used, with technical evaluations of bids conducted separately from cost evaluations.

The new Constitution, passed in October 1997, contains a chapter on corruption in government. The status and powers of the Office of the Counter Corruption Commission (OCCC) have been enhanced, giving it independence from all branches of government. The members of the new Commission sit on the OCCC for a term of nine years with no renewal, and report to their own Chairperson. Individuals holding high political offices, and members of their immediate families, are now required to list their assets and liabilities before taking office and upon leaving office.

It appears that there is a will developing to enforce transparency in government procurements. However, because of the economic crisis, the Royal Thai Government has cancelled or deferred a number of infrastructure projects. Almost all projects that are moving ahead are ones that were committed to before the crisis, and that had long-term financing already in place.

COUNTERTRADE

All procurement of foreign goods and services by government agencies and state enterprises in Thailand worth 300 million Baht or US\$7.5 million (\$1US : 40 Baht) are subject to a countertrade transaction requirement. The current procurement value compulsory for counter purchase agreements is set at 50 percent of the CIF import price.

A concerned government agency or state enterprise must call for a bid with a counter purchase condition announcement under a form called "Letter of Undertaking for Countertrade." The steps are as follows:

- Concerned government agency/state enterprise submits a list of selected firm (s) to the Department of Foreign Trade.
- Selected company (s) is/are notified to contact Department of Foreign Trade in order to draft the Counter Purchase Contract. The negotiation and contract signing may be done directly with the foreign company or its trading company/agent in Thailand that has power of attorney.
- Department of Foreign Trade will inform the concerned government agency/state enterprise of the signed countertrade agreement after which a principal procurement contract can then be carried out.
- The Department of Foreign Trade will oversee compliance with the agreement on the foreign company's part. Sales invoices, B/L's and Credit Notes, as evidence of Thai exports, must be submitted to the Department of Foreign Trade.

Commodities used in countertrade deals include rubber, rice, tapioca flour and certain manufactured goods. There are restrictions on certain overseas markets where countertrade commodities can be sold in order to limit competition with Thai commercial exporters.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The Thai Government's administrative and judicial intellectual property rights (IPR) posture improved markedly during 1998 and 1999. Enforcement also improved, with the first sustained program of raids on pirate optical media producers. This has not stemmed the rising tide of piracy, however, and further improvements in on-the-street enforcement are needed. Trademark piracy is a burgeoning problem, and exports of pirated materials are growing. On a regional basis, Thailand and other ASEAN countries have agreed to join efforts to eliminate this problem. This policy is aimed not only at tracking pirated products but also at confiscating the equipment used to produce them. The Thai government clearly recognizes the importance of addressing and dealing with the problem of intellectual property right infringements and with continued pressure from their major trading partners, have set this issue as a priority.

Although the IPR Court (established 1997) itself is functioning quite efficiently, the process of bringing cases to trial is slow. There are problems of substitution of insignificant for influential defendants and loss of evidence from purportedly secure custody.

The Thai Government's trademark application procedure was streamlined in 1998. Defending trademarks in Thailand is often a time consuming and expensive legal process, but the legal process in place and operates with integrity.

Amendments to the Thai Patent Law came into force during 1999, and the community of rights holders is satisfied with the new provisions, on the whole. However, there is concern among pharmaceutical manufacturers that the Thai government may invoke provisions permitting compulsory licensing.

NEED FOR A LOCAL ATTORNEY

It is highly recommended that U.S. firms obtain relevant legal advice from a local attorney who can provide guidance on drafting and enforcing commercial agreements, company registration, and applying for requisite permits. The services of a local attorney are required for executing distributorship agreements, setting up offices in Thailand, registering patents and trademarks, and for taking legal measures to protect a product from intellectual property right infringement.

As literature on commercial law in Thailand [in English] is scarce, it is recommended that a firm wishing to do business in Thailand gather information on regulations and legal processes prior to arriving in Thailand. This will also ensure that the firm is aware of practices and benefits that it is entitled to, granted by the Board of Investment (BOI) and the Industrial Estate Authority of Thailand (IEAT).

The US Commercial Service at the American Embassy in Bangkok can provide a list of Thai lawyers and American legal consultants who specialize in Thai commercial law and service international clients. The list can also be downloaded from the US Commercial Service Bangkok website at www.csbangkok.or.th.

PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF BANKS/AGENTS/CUSTOMERS

The economic crisis had its start in excesses in the financial sector that were not discovered or checked because of legal, regulatory, institutional and information deficiencies, and a weak supervisory system. The problem started, to a large extent, because of excessive risk taking in the private sector.

U.S. buyers/investors considering any deals in Thailand should be cautious, and exercise extreme due diligence, as a number of local companies still lack transparency in their account books. U.S. buyers/investors are advised to hire professional accountancy companies, lawyers, asset appraisers/valuers, and other experts in due diligence work to check bona fides of the bank or company they want to buy, extend credit to, or with whom they want to form joint partnership or any form of licensing agreement. A number of leading American accounting and consulting companies with expertise in due diligence are active in Thailand.

They may also need to check with the government authorities who have information of firms listed in the Stock Exchange of Thailand (SET) for their listing status. Organizations worth checking for this type of information are the Stock Exchange of Thailand, and the Securities and Exchange Commission (SEC). Each has their own data bank with mandatory collected information that all listed firms need to report on a quarterly and/or annual basis. For information related to companies under financial distress or under rehabilitation, the CDRAC (Corporate Debt Restructuring Advisory Committee), an organization set up by the Bank of Thailand, can be contacted to find out which companies are involved in on-going debt restructuring/rehabilitation or litigation.

CHAPTER V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

After the decade long boom years that made Thailand the world's fastest growing economy between 1985 and 1995, and the devastating economic shock that shook the economy in 1997-98, Thailand's economy regained in 1999 some of the ground lost to the crisis and appeared to establish a renewed footing for prosperity in the coming years. Posting a very respectable 4.2 percent growth rate in 1999, virtually all economic forecasters project a similar level of growth in the Kingdom in the near-term years.

Located halfway around the globe from the US, Thailand is easily left out of the spotlight of American companies. While the economic crisis of 1997-98 caused few American companies to leave Thailand, recent entrants and investors were forced to re-evaluate market development strategies and to modify some assumptions regarding the Thai market. As a result of the new

economic environment, including continued progress at integrating regional economies through the Asean Free Trade Agreement, and Thailand's numerous competitive advantages, many American and third-country firms are now making Thailand their regional manufacturing hub for a broad range of products ranging from consumer goods to industrial components to finished passenger vehicles.

Companies that formerly viewed Thailand only through the prism of massive infrastructure projects and large-scale commercial property development schemes will need to study the Thai market more carefully to identify the commercial opportunities still available in the year 2000 economy. The next fiscal year will see the unveiling of the Ninth Economic and Social Development Plan, the government's economic development roadmap. While government sources indicate that a good number of infrastructure projects will move ahead, they also expect a new emphasis on social development projects focussed on poverty alleviation, particularly in rural agricultural areas, educational, health and social welfare improvement, and building the skill base that Thailand needs in an increasingly competitive regional economy.

For many Thai companies, this is a time of strong emphasis on gaining a competitive edge both domestically and against regional competitors. With a more stringent lending environment resulting from reforms in the financial sector, Thai firms are looking to shave costs from production chains, improve quality to meet supplier requirements of major international manufacturers and to improve productivity wherever possible. These developments offer many new opportunities for American companies in sectors such as information technology, logistics management, leasing and education and training.

That being said, Thailand continues to offer significant opportunities in government-sponsored major projects. These include the \$3.2 billion construction of a new international airport in Bangkok, mass transit projects including a new subway and major road projects in the capital, and the construction of major wastewater treatment facilities. In the private sector as well, expect a renewed emphasis on the development of Thailand's extensive but still under-utilized agricultural resources, continued investments by major multinational firms to construct world-quality regional manufacturing and service hubs and a focus on investment and sales opportunities that will arise from the planned privatization of state-owned enterprises in the near-term, which may include firms involved in the energy, aviation and telecommunications sectors.

In short, Thailand continues to develop its position as one of the key economies in the Asean region, banking on its political stability, sound stewardship of the economy by the nation's leaders, abundant resources, growing level of domestic consumer demand and plentiful supply of skilled and unskilled labor. In surveying the Best Prospect economic sectors that follow, American companies are advised to evaluate the many commercial opportunities that are available in Thailand based on the forward-looking vantage point of the year 2000, rather than focusing on the economic tumult of three years ago.

MARKET OVERVIEW

Best Non-Agricultural Industry Sector Prospects for Thailand are as Follows:

1. Airport and Ground Support Equipment (APG)
2. Water Resources Equipment and Services (WRE)
3. Pollution Control Equipment (POL)
4. Automotive Parts / Services Equipment (APS)
5. Medical Equipment (MED)
6. Laboratory and Scientific Instruments (LAB)
7. Education, Training Services, and Educational Supplies (EDS)
8. Franchising (FRA)
9. Food Processing Equipment (FFP)
10. Computer Software (CSF)
11. Computer Services (CSV)
12. Electronic Components (ELP)
13. Computers and Peripherals (CPT)
14. Telecommunications Equipment (TEL)
15. Leasing Services
16. Electronic Industry Production/Test Equipment (EIP)

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1. Airport and Ground Support Equipment (APG)

Construction of the New Bangkok International Airport (NBIA) or Nong Ngu Hao, the largest construction project in Thailand with a budget estimated at US\$ 3.5 billion, is well on its way. Airport officials remain strongly committed to opening the airport on schedule in late 2004. The airport will be built in phases to accommodate expansion. At the end of phase one in 2004, the annual passenger capacity will be 30 million annual passengers (MAP) and 1.5 million tons of cargo, rising to 50 MAP by 2006 and, 100 million by 2015.

The contract for ground improvement for the first runway, taxiways and parking bays was awarded in August 1997 to Italian Thai Development Co., Ltd. Work is now estimated to be 89 percent complete. The passenger terminal and concourse design contract was awarded in an international competition in 1995 to an American-led consortium of Murphy/Jahn, Inc., Tams Consultants and ACT consultants.

The bidding on the passenger terminal and concourse general contract has been underway since June 2000, with 8 qualified groups chosen from 13 that had expressed interest in the 42 billion baht terminal building contract. While no American companies are seeking to become the prime contractor, US companies are strongly encouraged to participate as suppliers for this project. Since there are specific requirements for construction materials and other specialized equipment and components necessary to undertake the project, U.S. companies are well equipped to provide such supplies.

The construction of the passenger terminal complex is subdivided into five “packages,” including: Piling, Main Terminal Building Works, Concourse Building Works, Art Works, and Frontage Roads. Additionally, there are tenders that are likely to occur beginning in late 2000 and continuing in series into 2002. These tenders should include packages for utilities, runway, taxiway and apron, control tower, access (including roads and railway), airport information management system, fire and rescue vehicles, etc.

The following is a schedule for the bidding and the design & construction of various facilities of the NBIA.

Facility	Bidding	Design & Construction
Cargo terminals	May-Oct 2001	Nov 2001-June 2004
Catering facilities	July-Dec 2001	Jan 2002-June 2004
GSE maintenance	Jan-Jun 2002	July 2002-June 2004
Aircraft fueling system	Bidding	Design & Construction
Main depot	Jun-Nov 2001	Dec 2001-June 2004
Related services	Apr-Sept 2001	Jan 2002-June 2004

Market Statistics (US\$ million)

Airport and Ground Support Equipment Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	138	151	167	184
B. Total Local Production	8	6	7	8
C. Total Exports	61	30	33	36
D. Total Imports	212	175	193	212
E. Total Imports from U.S.	55	49	54	59

Note: The above statistics are unofficial estimates
(e) represents estimate, US\$ 1 = 38 Baht

To cope with the increasing passenger demand, while the New Bangkok International Airport (NBIA) is under construction, the Thai government has decided to invest another 4.3 billion Baht (US\$118.9 million) for the expansion/improvement of the existing Bangkok International Airport (BIA) at Don Muang. Most of the following elements may be included in the expansion programs:

- Construction eastern parallel and rapid taxiway
- Extension taxiway B
- Construction the east aircraft parking apron
- Modification of the west aircraft parking apron
- Construction cargo terminal frontage road

- Construction long term parking
- Improvement of airport internal transportation system
- Construction aircraft pier No. 5 with six contact gates
- Extension of pier 1 corridor
- Modification of pier Nos. 2,3 and 4
- Expansion of domestic passenger terminal
- Construction of a new ground service building
- Construction of a bonded warehouse
- Construction of an air traffic control tower
- Improvement of interior of international passenger terminal
- Improvement of the baggage handling system at the international passenger terminal
- Improvement of waste water treatment plant

The Airports Authority of Thailand (AAT) has short-listed 25 construction contractors for the expansion project, but it has not yet awarded contracts to any of the interested contractors. In addition, the AAT has submitted a revision of the detail work elements for the expansion/improvement of the existing Bangkok International Airport (BIA) at Don Muang to the cabinet and the National Economics and Social Development Board (NESDB) for approval. Once the required approval is obtained, the AAT is expecting to award the contract to selected contractors.

Due to the current economic situation, the Thai government has decided to privatize the SBIA, BIA, and other airports, by establishing an AAT Holding Company to operate both SBIA and BIA. The AAT will hold 70 percent of the stake, while the private sector will own the balance. In addition, the AAT Holding Company will also form another subsidiary, the Regional Airport Company, to run the AAT provincial airports. The AAT Holding Company will hold only 25 percent of the equity. The balance of 75 percent will belong to private foreign partners. To attract private investors, the AAT Holding Company will grant to its private partner a management contract to operate the terminal and contact gates of both BIA and SBIA, as well as the concessions for ten more businesses. The Ministry of Transport and Communications committee has recently selected Merrill Lynch Phatra Securities Public Company/Credit Suisse First Boston (CSFB) to be the financial advisor for the airport privatization plan.

The best prospects for airport and ground support equipment and services, in the near term, are as follows:

- Navigational aid for control tower
- Instrument Landing Systems
- Passenger loading bridges
- Baggage handling/detection systems
- Aircraft refueling systems (underground pits)
- Fire and rescue vehicles

2. Water Resources Equipment & Services (WRE)

Water resources development and management is an important sector in Thailand as it concerns 60% of the country's population whose occupations rely largely on water supply. There are as many as eight different ministries through some forty government agencies and state enterprises involved in water management in Thailand. As the demand for water increases due to population growth, as well as expansion of industrial and service sectors, all agencies involved in water-resource development are preparing plans to construct more projects.

The government budget for water resource development is allocated primarily to the Royal Irrigation Department (RID), Ministry of Agriculture and Cooperatives. In principle, most of the budget at the RID is used in the development and maintenance of dams to support the agricultural sector. The problem the country is now facing is the lack of coordination among the different responsible offices. As a result, lack of proper planning for national water resources development has occurred as each of the concerned agencies deals with different programs and priorities that are often overlapping and many times conflicting. This has resulted in major time and financial losses. Water mismanagement has been of public interest particularly to many non-profit organizations active in environmental protection, administrative transparency inspection, and human rights.

The Agriculture Ministry and the Asian Development Bank (ADB) agreed in late 1999 on a US\$600 million loan to implement agricultural reforms. The changes will improve the sector's competitiveness and revitalize the rural economy. Both sides agree that the Thai government needs to cut duplication of many government agencies' work in water-resource management. The possibility of creating a water-resource agency to lead and coordinate water-management systems has been discussed. In the interim, the Royal Thai Government has appointed a committee called the National Water Resource Committee (NWRC), chaired by the Prime Minister, to handle the national water master plan. However, the committee has been criticized for its institutional weakness and lack of professional capability.

Aside from government budget allocations (Bt 40-50 billion or approximately US\$1 billion each year), some water resources projects in Thailand are also financed by loans from international financial institutions, such as the ADB and World Bank, as well as by financial aid from foreign governments. One of the major projects financed by this type of loan and still waiting to be carried out is Chao Phraya Basin development project.

An unofficial growth estimate for the sale of equipment and services to the government for water-resource development is estimated at 10 percent per annum.

Water resources for agriculture is a key sector in Thailand and so is water supply for household and industrial usage. Water supply in urban/municipal areas is managed by two state enterprises, the Metropolitan Waterworks Authority (MWA) and Provincial Waterworks Authority (PWA). Under the proposed privatization scheme, particularly for the PWA, private companies are not only interested in supplying necessary equipment and know-how but also to be granted long term concessions to operate privatized projects. The MWA, on the other hand, is expanding its reach to new sources of water supply in provincial areas, representing opportunities for sales of equipment and services needed for tunneling and pipeline projects.

As an effect of the economic crisis, real estate development has shifted from residential to industrial real estate development in the form of private industrial estates. Water supply is a key issue for this type of venture and opportunities for the import of water and wastewater equipment are quickly rising.

Market Statistics (US\$ million)

Water Resources Equipment & Services in Thailand

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	475	500	530	632	800
B. Total Local Production	352	371	409	476	450
C. Total Imports	123	129	139	256	300
D. Import from the US	18	19	20	23	40

Note: The above statistics are unofficial estimates

(e) represents estimate

US\$1= Bt 40 (1997-2000), US\$1 = Bt 38 (2001)

Best prospects for US firms in this market are:

- Project feasibility and environmental impact studies
- Supplies of equipment and services
- Project engineering and management consultancy
- Direct investment/participation in state enterprises' privatized projects

3. Pollution Control Equipment (POL)

Thailand's pollution control equipment market has grown continuously over the past two years, despite the country's economic woes. Environmental infrastructure demands such as water treatment processors, wastewater treatment systems, solid waste and medical waste treatment disposal facilities, and air pollution monitoring stations are considered major concerns in the fiscal budgets of governmental sectors.

The 1997 devaluation of the Thai Baht continues to constrict overall market demand in this sector. High standard equipment and goods have not been able to make effective sales in Thailand during the past year. Products from Taiwan, Korea and Japan are more likely to be purchased rather than those from the United States or Europe. The market is still seeing positive growth for U.S. equipment and products, especially for air pollution monitoring systems and solid waste composting technology.

Local assembly or joint licensing fabricated equipment in Thailand has become more successful in gaining market shares in the private sector due to their cheaper overhead costs and services. These factors also make it possible to produce the equipment more cheaply, thereby making it cheaper to the consumer. Generally, those products are water purification systems,

water distillation units, wastewater treatment packages, incinerators and other accessories, which can be fabricated by local contractors since specifications are not as strict as for the main components of equipment or products.

The total environmental market size is difficult to estimate because polluting industries are either not regulated or the existing regulations are not strongly enforced, thereby making it difficult to identify the size of the need. The government actually uses compliance implementation and not direct enforcement so that problems can be solved by compromised negotiations between polluters and those living in polluted areas.

This year, overseas financial institutions, such as the World Bank, Asia Development Bank, Japan Bank for International Cooperation, and others, have been approaching Thai government agencies to look for future project finance opportunities. The country still needs environmental consulting services, engineering design, equipment and technology to fulfill requirements that Thai companies cannot perform. U.S. environmental technologies are quite attractive to Thai companies. Thai companies are aggressively pursuing opportunities to become exclusive distributors or representatives of U.S. environmental technology firms in order to cover the whole market.

Pollution control equipment is comprised of many kinds of products, instruments and devices. Over the next year, the potential for the environmental technologies market will continuously increase since regulatory enforcement will be heavily implemented by the Royal Thai Pollution Control and since public awareness of this issues is increasing which in turn will drive demand for improvements. Advanced environmental technology and products are crucial for fixing current environmental problems and for protecting the environment for the future. Best prospects for this sector include:

- Air pollution monitoring devices and instruments
- Odor control systems and monitors
- Solid waste, medical waste and hazardous waste incineration systems and accessories
- Solid waste landfill components and equipment
- Industrial wastewater treatment chemicals, equipment and sludge de-watering systems
- Municipal wastewater pumps, valves, mixers, aeration systems in activated sludge or lagoon design systems
- Water purification and distillation parts, components, and equipment for industrial processing
- Sewerage pipe cleaning machines and equipment

Market Statistics (US\$ million)

Pollution Control Equipment Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	119	147	157	159
B. Total Local Production	51	54	56	52

C. Total Imports	68	71	76	80
D. Imports from U.S.	18	22	25	27

Note: The above statistics are unofficial estimates
(e) represents estimate, US \$1 = 37 Baht

4. Automotive Parts/Service Equipment (APS)

Thailand's automobile market rebounded in 1999 and will expand to reach its pre-crisis production peak of 600,000 units within 5 years based on a projected average growth rate of 22% per year. Last year, the market expanded 51.5 % to 218,330 from 144,065 units in 1998. The pickup truck market had the highest growth of 60% as compared with 44% of the passenger car market, and 22.6 % of the commercial and other vehicles market. Industry experts are optimistic that this year the overall market will reach between 260,000 and 280,000 units, an increase of up to 28% from 1999.

Unlike some other ASEAN countries, Thailand has directed its policies in order to become an integrated automotive hub for the region, rather than to develop its own national car. Domestically, Thailand is becoming a more open market for competition among all the major world players, as more than 40 vehicle brands including Ford, GM and Chrysler compete in the Thai market, though Japanese makes control more than 90% of the overall market. Toyota maintained a market lead for the 20th consecutive year with a 34.2 % share, followed by Isuzu, a long time champion in the pickup truck segment having a 23.9 % share, and Honda with an 11.3% share.

Last year, Original Equipment Manufacturer (OEM) exports from Thailand totaled Baht 60.1 billion (US\$1.58 billion), representing an 80.1 % increase from the 1998 export value. Exports were made up of Bt. 9.92 billion worth of vehicle parts, and 125,702 Completely Built Up units (CBUs) worth Bt. 50.2 billion. Mitsubishi has the largest share of CBU exports accounting for a 48.5% share, followed by Auto Alliance (Ford & Mazda) with a 34% share. Toyota led in exports of engines and parts worth Bt.3.36 billion, followed by Honda and Isuzu with Bt. 1.86 billion and Bt.1.81 billion, respectively. This year, exports are expected to grow 44% with CBU exports reaching 180,000 units.

Thailand is gradually realizing its goal of becoming an assembly base for ASEAN. The country's 14 assembling operations have a combined assembling capacity of one million vehicles per year. The local parts industry supplies up to 80% of the pick-up trucks and 60% of the passenger cars assembled in the country. The local parts industry is expected to undergo fundamental change due to the January 2000 abolition of the local content requirement, a decades-long measure in place to support development of the industry and to protect them from foreign competition. Though the import duty on Completely Knocked Down vehicle parts has been raised from 20% to 33% to cushion the full impact of the open market policy, competition from global sources will intensify in the parts industry. Rather than having to have a minimum

Thai-source content of 54%, assemblers in Thailand are free to source globally for best quality parts at the lowest cost.

Competition in the automotive after-sales service, particularly those offering routine maintenance like motor oil changes, tire and brakes inspection, will increase the demand for relevant equipment. Success of independent operators of automotive service centers in recent years is expected to attract more investment into the business both from other independent operators and assemblers. The trend will drive the demand growth for after sales-service equipment and machinery.

The rebounding domestic sales, change of policies governing the automotive manufacturing industry, and competitive trends in the after-sales service business indicates growing opportunities for U.S. exports in the following sectors:

- OEM (Original Equipment Manufacturer) parts and components
- Component, and accessories with specifications designed to models of vehicles in Thailand (Audio Systems, Wheels, Gauges, Turbo Chargers, Intercoolers)
- Know-how in parts manufacturing, standards, logistics, management
- Equipment for tire and brake centers
- Pumps of all kinds
- Emission control testing equipment

Market Statistics (US\$ million)

Automotive Parts/Service Equipment Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
a. Total Market Size	2,267	4,701	6,520	8,250
b. Total Local Production	2,948	4,846	7,672	10,148
c. Total Exports	2,170	2,388	3,821	4967
d. Total Imports	1,489	2,243	2,669	3069
e. Imports from U.S.	223	212	252	276

Note: The above statistics are unofficial estimates
(e) represents estimate, US\$ 1 = 38 Baht

5. Medical Equipment (MED)

The recent economic crisis in Thailand had a major impact on the imports of medical equipment. 1999 import figures (US\$170 million) were down by 9 percent as compared to 1998 figures (US\$186 million). However, imports from the United States (US\$67 million) increased by 24 percent from 1998 (US\$54 million). Imported medical devices from the U.S. led the import market share with 40 percent, followed by Japan with 17 percent, Germany with 14 percent, and the United Kingdom with 7 percent. Imports from France, Italy, and Singapore had a 3 percent share. The market share of medical devices from the U.S. was 29 percent in 1998.

As the economy improves, imports of medical devices are expected to increase in 2000. The average market growth rate is estimated to be at 12 percent in 2000 and 2001. The growth of the market should derive mainly from private hospitals as the government is still slow and cautious on spending for new medical devices to upgrade its hospitals in rural areas. Most existing private hospitals have settled their liquidity problem and have recently received 10 to 15 percent more patients as compared to 1999. The private hospital service business has been picking up and should get better over time, resulting in good potential for the medical device market. Exporters of medical devices should expect good sales prospects in Thailand in 2000 and 2001.

Products from the U.S. that lead the market and are best sales prospects in Thailand include:

- Heart valves and artificial blood vessels
- Stents, cardiovascular equipment and accessories
- Disposable diagnostic test kits
- Respiration and resuscitation devices and accessories, including oxygen therapy
- Dental hand pieces and accessories
- Non-invasive surgical equipment

Market Statistics (US\$ million)

Medical Equipment Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>	Est. Growth
					%
A. Total Market Size	241	222	249	282	12
B. Total Local Production	210	230	276	303	15
C. Total Exports	155	178	222	255	20
D. Total Imports	186	170	195	234	18
E. Total Imports from U.S.	54	67	77	89	15

Note: The above statistics are unofficial estimates

(e) represents estimate, US\$ 1 = 38 Baht

6. Laboratory and Scientific Instruments (LAB)

The demand for laboratory, scientific and testing equipment in Thailand is expected to grow an average of 13 percent over the next 3 years due to the following reasons: First, projects are underway to upgrade engineering department laboratories in teacher training colleges and engineering colleges of the Ministry of Education and Ministry of University Affairs. These projects are expected to be completed in 2001. Secondly, there is an increasing demand and trend for compliance with international standards (ISO), and Food and Drug Administration standard requirements (GMP, HACCP). International standards compliance has become a visible issue to companies in Thailand. More companies will seek compliance with ISO and HACCP standards in order to be competitive in the world market. International requirements for various standard compliance of manufacturers in Thailand will increase the demand for laboratory and scientific

instruments. Thirdly, completion of the construction of the Science Park Project in late 2000, under the supervision of the National Science and Technology Development Agency (NSTDA), Ministry of Science, Technology and Environment. The Science Park is designed to promote science and technology research and development with government supports such as soft loans, tax incentives, grants, and scholarships. The NSTDA hopes to persuade public and private research and development agencies to relocate their research facilities to the park. Lastly, continuing concern of environmental and pollution issues help to maintain demand for laboratory and scientific instruments.

Products from the U.S. lead the market with a 34 percent share, a 7 percent increase from 1998, and receive a high degree of acceptance from end users in Thailand. Demonstration rooms, brand name, after sales service, and availability of spare parts are the most important factors in buying decisions.

The best sales prospects in this market include:

- Gas Analyzer
- Chromatograph
- Spectrometers
- Incubators
- Wafer Meters
- Analytical Instruments Designed for Demonstration

Market Statistics (\$US million)

Laboratory and Scientific Instruments Market in Thailand

	<u>1998</u>	<u>1998</u>	<u>2000e</u>	<u>2001e</u>	<u>Est. Growth %</u>
A. Total Market Size	228	215	236	272	13
B. Total Local Production	38	45	50	60	15
C. Total Exports	32	35	40	48	15
D. Total Imports	222	205	226	260	13
E. Total Imports from U.S.	61	70	81	97	18

Note: The above statistics are unofficial estimates

(e) represents estimate, US\$ 1 = 38 Baht

7. Education and Training Services (EDS)

The economic crisis that devastated Thailand in 1997 and 1998 affected families' ability to support their children's overseas education. The number of students in the U.S. dropped 17 percent to 12,489 in the 98/99 school year as consumers experienced the full impact of the weak buying power of the Thai baht. Despite the economic hardship, however, studying in the U.S. has always been the favorite destination for Thai students planning to study abroad. In fact, despite the decline over the last year, Thai students are the seventh largest foreign student

population in the United States. Half of them study at the graduate level and English language programs are also quite popular. The average Thai college student spends about US\$22,000 a year on tuition, boarding, books, supplies, and personal expenses. In 1999, the U.S. Embassy in Bangkok received 5,407 student visa applications, a 32 percent increase from 4,098 applications received in 1998.

By comparison, Australia is the second major destination for Thai students. There were approximately 9,000 students from Thailand studying in Australia during the 98/99 school year. Australia claims a 30 percent annual increase since 97/98. The estimated annual spending of a Thai student in Australia is US\$15,000. United Kingdom is the third leading country with approximately 1,600 Thai students and an estimated annual per capita spending of US\$25,000. New Zealand and Canada place fourth and fifth with approximately 1,000 and 600 Thai students, respectively. Estimated annual spending per student in New Zealand is US\$12,000 and US\$15,000 for Canada. Australia, New Zealand and Canada have gained the most students from the devaluation of the Baht. Currency exchange rates with these countries is comparably cheaper than that of the United States or the United Kingdom.

Another reason for a projected increase in the number of Thai students expected to go abroad is that the country's National Education Reform now provides free schooling through high school. This will serve to increase the pool of students vying for a place at colleges and universities throughout Thailand. Studying abroad will become a more favorable option as the cost difference between Thai and foreign university lowers. Accordingly, industry experts expect to see a significant increase in the number of students from Thailand going abroad in the 00/01 school year.

The tight job market also causes students to consider studying abroad to gain practical degrees or skills to gain a comparative advantage over their colleagues. Back in 1998, there were 963,000 students at the high school level and 547,000 students studying for a Bachelor's degree. At that time, the National Economic and Social Development Board conducted a survey of recent graduates of seven state universities which revealed that 19 percent of them continued their education, 35 percent were unemployed, and 46 percent were employed.

As the Thai economy stabilizes, even more Thai students will seek to study abroad. Therefore, American educational institutions and ESL programs must gain greater exposure to potential students in Thailand and other countries to maintain their narrowing competitive advantage.

The best sales prospects in this market include:

- Education and Training Equipment in the Engineering, Physics, Science, and other Technical Fields
- Educational Games and Toys
- English Language Schools
- Computer Training Centers
- Examination Preparatory Schools

Market Statistics (US\$ million)**Education Services Market - Thai students studying abroad**

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>	<u>Est. Growth %</u>
A. Total Market Size	504	471	590	760	27
B. Total Local Production	0	0	0	0	0
C. Total Export	0	0	0	0	0
D. Total Imports	504	471	590	760	27
E. Total Imports from the U.S.	318	264	343	446	30

Note: The above statistics are unofficial estimates

(e) represents estimate, US\$ 1 = 38 Baht

8. Franchising (FRA)

The franchise industry is very popular among Thai investors. Even though the economic crisis in Thailand has slowed the rate of expansion of established franchises of international and local origin, there are many investors still looking for opportunities in this sector because it is perceived as an attractive and relatively safe form of investment. According to local industry sources, there were approximately 150 franchise systems operating 6,000 units in 1999, generating annual sales of approximately US\$1,500 million in the Thai market. The franchise industry is one of very few sectors expected to continue growth on an average of 30 percent over the next few years as the economy recovers. Growth is expected due to changing consumer buying patterns, urbanization and improvements in Thailand's transportation and communications network. International franchises control 80 percent of the total market. The U.S. is the leader among international franchises and controls 80 percent of the international franchise market. The quality, standard, and innovations offered by U.S. franchises are well known to potential Thai investors. However, franchising fees are perceived as very high and start-ups require a huge capital investment.

By comparison, local Thai franchises require a lower initial investment and offer lower prices than international franchises, thus tending to attract smaller investors and entrepreneurs. Another group of potential investors are those who have substantial financial resources but became unemployed during the economic crisis. The number of local franchises is still growing very fast due to the flexibility of franchisors and their ability to know the tastes and purchasing influences of local consumers.

The best sales prospects for U.S. franchises are as follow:

- Food and Restaurant Franchises
- Retail and Convenience Stores
- Hotel Chains
- Service Franchises:
 - Automotive Aftermarket Services
 - Cleaning and Maintenance Services

- Internet Related Services

Food and Restaurant Franchises

In this sector, fast food and family restaurant franchises account for 45 percent of all local and foreign franchise operations. Almost all of the major U.S. food franchises are already in the Thai market and operating successfully. They include: Kentucky Fried Chicken (KFC); McDonalds; Pizza Hut; Burger King; Swensen's; Dairy Queen; Sizzler; Mister Donut; Starbucks; Au Bon Pain; Mrs. Fields; and Auntie Anne's. As of the end of 1999, Thailand had 1,126 fast food and family restaurant outlets. The total is expected to increase to 1,502 by the end of 2000.

Retail and Convenience Stores

Retail and convenience stores are the second most popular type of franchises and account for 35 percent of all local and foreign franchise operations in Thailand. In this industry segment, for example, health and beauty aid stores such as Boots (U.K.) and Watson's of Hong Kong have done well. The Thai convenience store market has been dominated by 7-Eleven (U.S.), AM/PM (U.S.), and Family Mart (Japan). As in many countries, the retail and convenience store franchises are flourishing while the old-style "mom and pop" stores are steadily losing ground and closing their doors. At the end of 1999, there were about 3,000 franchise outlets.

Retailing and convenience stores are the fastest growing type of franchise in the Thai market and may soon overtake fast food and family restaurants, which have dominated the market. One explanation is that although restaurants are quite popular, competition is very high and the market is nearly saturated. Most of the existing companies are big players with famous brands like McDonald's or Burger King. These franchises are financially strong and generally well managed. Therefore, opportunities are limited for newcomers unless failed franchise concept is revived.

Hotel Chains

Tourism has been increasing dramatically over the past few years due to the government's promotion of "Visit Thailand Year" and the King's Sixth Cycle Birthday as well as the instability in neighboring countries such as Indonesia and Laos, and security and air pollution problems in the Philippines and Malaysia, respectively. The tourism industry has created opportunities for U.S. chain hotels to find local Thai partners, who may be looking to upgrade poor management and marketing skills. Currently, five star hotels such as the Holiday Inn, Marriott, Hilton, and Sheraton, are already in the Thai market but the market has potential for small and medium U.S. hotel chains such as Days Inn, Best Western, Clarion, etc. which may be looking to offer financial and management support through joint ventures, management contracts or other forms of partnership.

Service Franchises

The remainder of the franchise market in Thailand is comprised of service franchises such as automotive aftermarket services, cleaning and maintenance services, and internet related industry services. The service franchise sector is relatively small and new for Thai investors but has great growth potential as this sector is expected to expand further as the economy recovers. To date, there are not many local or foreign competitors in this market.

- Automotive Aftermarket Services

The Thai automotive sector is slowly picking up and has created a good opportunity for U.S. franchises in automotive aftermarket services such as transmission services, car care centers, break system services, exhaust services, etc. Most of the new car sales in Thailand are have automatic transmission and are more sophisticated with computerized features which require special maintenance or equipment. The new modern car is beyond the capability of local mechanics to handle. Car owners are not satisfied with the dirty and poor quality of local garage services and the unreasonable charges associated with it. The market is therefore very open to U.S. franchises that can supply organized and standard systems with the appropriate equipment.

- Cleaning and Maintenance Services

The Thai real estate industry was greatly impacted by the economic crisis and many high-rise office, condominium, and apartment buildings have been left empty as a result of the economic downturn. However, as the economy recovers and financial institutions begin to service their debt, many of these high-rise buildings will recover their pre-crisis occupancy levels and will therefore require new management and maintenance services, including cleaning, gardening and hospitality services. Since maintenance and management services are relatively new to Thailand, there are few competitors currently in the market. Local competitors, also new to the market, have proven to provide inadequate services.

- Internet Related Services

The internet is the fastest growing sector in Thailand and projected government liberalization of investment conditions planned for late in 2000 is expected to stimulate rapid in the next year. The growing internet industry and e-commerce will not only create demand for computer sales and computer maintenance services but also will create demand for delivery and shipping services. Finally, another related service industry which is expected to boom along with internet growth is the computer training school franchise.

Market Statistics (US\$ million)
Franchising Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total franchise sales	1,000	1,500	1,950	2,535
B. Sales by local firms	200	300	390	507
C. Sales by international firms	800	1,200	1,560	2,028
D. Sales by U.S. firms	640	960	1,248	1,622

Note: The above statistics are unofficial estimates
(e) represents estimate, US\$ 1 = 40 Baht

9. Food Processing Equipment (FPP)

The deep recession of 1997-98 caused the food processing equipment market to contract by 40 percent to \$ 317.5 million in 1998. The food processing equipment market has improved dramatically since the beginning of 1999. The market expanded 20 percent in 1999 and is expected to continue growth at an average of 20 percent over the next few years, due mainly to the favorable food export market. Most major food exporters, who reaped a windfall from the baht devaluation, enjoyed full production capacity in 1998. Many have expanded their production capacity and upgraded their equipment to meet world demand and international quality standards (HACCP and ISO). The Thai government has a policy of pushing Thailand as the “kitchen of the world” and is drawing a master plan to increase food sector value-added, which in turn will create future opportunities for food processing equipment. Even though most commercial banks and financial companies maintain tight credit policies, the Thai government has made funds available for small and medium size businesses, especially in the food industry, to buy or upgrade their equipment.

Imports of food processing equipment increased 37 percent in 1999 and are expected to grow 20 percent for the next few years due to the stability of the local currency and the recovering economy. This year, low commodity prices will generate a windfall profit for all major food processing firms, which will in turn increase demand for food processing equipment. U.S. food processing equipment companies have a 27 percent share of the total import market and are famous for their quality, durability, and easy maintenance. Local distributors mentioned that customers always prefer American products due to their quality and easy operability. However, the price of U.S. products is generally a 100 percent higher than competing products from Italy or Taiwan. Most Thai consumers of food processing equipment will start their business using Taiwanese or Italian products and, once established, upgrade to U.S. products.

At present, most major food giants, such as Frito-Lay, Kellogg’s, Dole, Del Monte, Nestle, Procter & Gamble, Ajinomoto, etc., use Thailand for their processing and distribution centers for the Southeast Asian market due to the abundant input supply and competitive prices of all major agriculture products. Thailand is one of the world’s largest exporters and manufacturers of rice, tapioca, rubber, pineapple, sweet corn, and shrimp. These primary products have great potential for future processing.

The best sales prospects for U.S. food processing equipment manufacturers include:

- Cooking or heating food machinery
- Filtering or purifying water equipment
- Fruit, vegetable and herb processing equipment
- Snack foods and confectionery equipment
- Fast food and convenience food equipment

Market Statistics (US\$ million)
Food Processing Equipment Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	317.5	381.0	457.2	548.6
B. Total Local Production	109.5	152.6	278.8	525.9
C. Total Exports	46.0	119.6	239.2	478.4
D. Total Imports	254.0	348.0	417.6	501.1
E. Total Imports from U.S.	69.2	93.9	112.8	135.3

Note: The above statistics are unofficial estimates
(e) represents estimate, US\$ 1 = 40 Baht

10. Computer Software (CSF)

The computer software market, including application software and system software, is likely to grow 25%, reaching \$210 million in the year 2000. This sub-sector represents 19% of the overall IT market which is estimated at \$1,095 million. The value of application solutions, including industry-specific and cross-industry applications, is forecast at \$116 million. System utilities, application tools, and middle ware account for \$49 million, \$34 million, and \$10 million respectively. Application solutions represent the highest growth rate of 30% of the software market, followed by application tools growth at 26%. The overall packaged software market grew 33% from \$125 million in 1998 to \$166 million in 1999 and has been satisfied by importation. U.S. developed software is the industry leader and controls between 70-80 percent of total import value. Major consumers are government organizations and businesses, who regularly budget for such expenses.

Market Statistics (US\$ million)
Computer Software Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	125	166	210	250
B. Total Local Production	15	25	30	40
C. Total Exports	0	0	0	0
D. Total Imports	115	141	180	210
E. Total Imports from U.S.	80	105	135	160
(Exchange rate \$:Baht)	(1:41)	(1:38)	(1:37)	(1:37)

Note: The above statistics are unofficial estimates, (e) represents estimate

The Thai computer software market is growing in line with the overall IT market, driven by the economic recovery and the increasing usage of the Internet and e-commerce. U.S. companies dominate the application software market which represents the year 2000's highest growth rate. The U.S. also maintains the largest share of the system software market.

Well-known U.S. software companies have set up offices in Thailand and gained advantages in marketing and developing their services market. Local software development is still a young industry and has been supported by the government through the Software Park project during this initial period. The project provided software developers with facilities and investment incentives. The private sector has offered incubator and venture capital programs providing new developers with training, marketing, legal and finance consultations. The promotion of the software industry creates opportunities for U.S. software companies to market development tools, invest and expand in Thailand and the region. Piracy remains a serious problem and the Business Software Alliance reported that the piracy rate of all computer programs fell to 81% in 1999 (an \$82.2 million loss) from 82% in 1998.

The best sales prospects in this market include:

- Database Management Software
- Business Management Software such as Enterprise Resource Planning System, Human Resources Management, and Logistics Management
- Banking, Financial and Accounting Software
- Industry-Specific Software for manufacturing and service businesses
- System Utilities
- Application Tools

11. COMPUTER SERVICES (CSV)

Thai government agencies and private companies are increasingly computer-oriented and use IT to generate higher productivity and cost effectiveness in order to be responsive to the ever-changing business environment. Thailand's IT market is moving toward business globalization and is experiencing rapid growth in Internet usage and E-commerce. The best prospects in computer services include Internet services, Web technology, E-commerce business services, and high-speed networking technology, as well as maintenance and consulting services. Several U.S. IT companies have already begun to capitalize on this market and opportunities are still plentiful for new comers.

The best sales prospects in this market include:

- Internet services
- E-Commerce business
- System integration services
- Technical maintenance services
- Consulting services

Internet Services

A key indicator of the Internet usage growth is the increasing net population and international bandwidth for Internet access. The projected number of Internet users is 1.4 million in 2000 with an annual growth rate of 80% over the next three years (2000-2003). The Thai government estimates that the net population will increase to 14 million users by the year 2008. Although the majority of Internet users (approximately 70%) are in metropolitan areas, the number of rural Internet users is expected to increase. The use of international bandwidth is expected to reach 210 Mbps in 2000 and to exceed 1000 Mbps by 2003.

At present, Thailand has 18 ISPs but only three ISPs are posting operating profits. The Communication Authority of Thailand has been accused of being the main obstacle to the Internet and e-commerce development in Thailand. Its mandatory share ownership (CAT 32%, CAT employees 3%) of any licensed ISP and its monopoly for telecom services have led to high costs of online business and discouraged ISPs from revealing true revenue figures. An independent telecom regulatory body will be set up in October 2000 to form the National Communications Commission to draw up new market rules.

E-Commerce

E-commerce in Thailand is still nascent. The interest in E-commerce is huge but major hurdles still exist and include high Internet costs, lack of legal framework, and a short supply of trained personnel to run online applications. Revenue from e-transactions is expected to grow from \$32 million in 1999 to \$1.2 billion in 2003. U.S. companies, including Citibank, GE Capital and Lehman Brothers, have been active players in this market for several years.

Computer software plays a major role in Thailand's business to business or B2B communication. One of the applications which has been quickly adopted in Thailand is the supply chain management system. This application combines the features of E-commerce together with logistics management, of which overall benefits are the minimization of costs thereby creating competitiveness for firms. The complete flow is divided into 3 stages: eProcurement, ePayment and eLogistics. Heavy users of supply chain management are various manufacturing industries which require a rather complex portfolio of supplies and products, such as Caltax dealing with more than 7,000 products on a regular basis. Another important client of this system is the retail sector that involves a large number of products and quick turnaround.

B2B does not only limit itself to private sector interactions. It is also applied in government offices interacting with the private sector and with other government bureaus. An example of this is the Electronic Data Interchange (EDI) system, which is now part of modern customs practices.

System Integration Service

Demand for computer networking and data communication products is expected to increase along with the growth of the Internet and web technology, financial management information systems, and E-commerce. There are no local companies that meet the U.S.

standard for system integrators, and only a few partners of U.S. IT vendors are nearly qualified system integrators.

Maintenance Service

Most IT vendors consider computer services a major marketing tool. Maintenance service for large-scale computer systems is provided by vendors. Service for medium and small scale systems is provided by local business partners.

Consulting Service

Consulting services have been profitable operations in Thailand's IT industry for a decade. There are three major sources for consulting services: IT vendors, multinational consulting firms, and local consulting firms. All of these services basically provide professional advice on any aspect of IT related technologies.

The outlook for computer services presented here is based on trade estimates of the Association of Thai Computer Industry.

Market Statistics (US\$ million) **Computer Services Market in Thailand**

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>	<u>% Gain/Loss</u> <u>Est. Avg. Annual</u> <u>Growth Rate</u> <u>(2002-2004)</u>
Total Market Size	180	230	255	295	15%
Total Local Production	63	80	90	105	15%
Total Imports	117	150	165	190	15%
Imports from U.S.	94	120	132	152	15%

Note: The above statistics are unofficial estimates
(e) represents estimate, US\$ 1 = 38 Baht

12. Electronic Components (ELC)

Thailand's electronics market has registered a very respectable annual growth of over 20 percent for the past decade, through out the economic recession in 1997. The long-term outlook is favorable, with an expecting growth of at least 15% annually through 2003. The electronics industry has played a significant role in the economy in terms of production, exports, and employment. Local content for electronic products manufactured in Thailand is minimal and electronic producers will continue to rely on import content of higher tech components. Most electronic manufacturers in Thailand are foreign investment. They import the micro components, assemble them, and then send the assembled components back to their country of origin. Therefore, the head and tail of the production process is located outside of Thailand.

Market Statistics (millions of US\$)**Electronic Components Markets in Thailand:**

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size:	6665	7715	9260	11110
Total Local Production:	5035	5960	7155	8585
Total Exports:	4290	5255	6310	7575
Total Imports:	5920	7010	8415	10100
E. Total Imports from U.S.:	1195	1440	1685	2020
(Exchange rate \$:Baht)	(1:41)	(1:38)	(1:37)	(1:37)

Notes: The above statistics are unofficial estimates, (e) represents estimate

U.S. made components account for over 20% of the imported electronic components and almost 80% of raw materials are imported for manufacturing finished products to cater domestic and export markets. The expansion of the world market for computer, communications, and consumer electronic products has significantly contributed to the market growth. Opportunities are excellent for U.S. suppliers of sophisticated electronic components as Thailand has developed into a more high-technology, higher valued-added electronics market. Seagate Technology has the largest production base in Thailand with a total of 20,000 employees and IBM opened its higher density disk drives manufacturing plants in 1998.

Computer and other electronic product sales will no doubt increase as Internet and other information technologies evolve. Therefore, Electronic goods from Thailand can compete in the world markets only if price and product developments are able to meet the changing market demands. Thailand has a potential to be the regional hub for supporting industries for disk drive makers. Although Thailand does not have an adequately skilled workforce as in Singapore and Taiwan, it has a wide base of small and medium-sized firms that can produce parts and components to support the drive making industry. To date, products where Thailand has been able to compete in the world markets and where there is still consistent growth in export volume are in three major groups: Home Electronics Appliances such as color television sets, refrigerator and freezers, microwave ovens, washing machines, and compressor Computer and Peripheral Devices such as hard disk drives, monitors and printers and Electronic Parts such as IC's, watch parts, transistors, PCB, PCBA, and micro motors.

The best sales prospects in this field include:

Integrated Circuits and Microprocessors
 Diodes, Transistors, Semiconductor Device
 Relays
 Resistors
 Capacitors

Printed Circuits
Plugs and sockets

13. Computers and Peripherals (CPT)

This sector, representing 58% of the total information technology market, covers fully assembled computers, accessories, and peripherals only. The statistical data below does not include computer parts that are related to import and export categories even though Thailand is a major production base for the export of computer hard disks, monitors, keyboards, parts, and accessories. The PC/workstation and peripherals market registered \$458 million or grew 33% in 1999 and is expected to reach \$559 million representing a 27% growth rate in 2000. The system market, including large, mid-range and small scale computers, grew 20% to reach \$72 million in 1999 and is expecting no growth in 2000. Of the total year 2000 hardware market, the PC unit is likely to have the highest market share of \$398 million with a 22% growth rate and data communication equipment represents the highest growth rate of 40% reaching \$35 million from \$25 million last year. PC penetration is estimated at about 3% of the population, and sales of PC's are concentrated in the major urban population centers, primarily Bangkok.

The information technology (IT) market has recovered from the economic crisis faster than other industrial sectors. The government and private sectors have used IT as an important tool to help reorganize their operations and generate higher productivity and cost effectiveness. In addition, the Internet revolution and e-commerce trends have significantly contributed to the market growth, fueling computer usage in all industry and business sectors. U.S. products dominate over 50 percent of the import market of multisystems, PCs, workstations, servers, data communication equipment and networking products, and laser printers. U.S. vendors are held in high regard for providing buyers with state-of-the art technology, closer customer relationships, better support and after-sale-service, and for obtaining assertive marketing campaigns as well as competent partners and distribution channels. Sales of locally-assembled PCs have increased steeply compared with those of famous international brands as the import tariff has been lowered to 0% and the price gap has been narrowing.

The best sales prospects in this market include:

- PC and Workstation units, monitors and servers
- Data communications equipment
- High speed networking products
- Mobile computing systems
- Special purpose equipment for large to small scale systems such as Automatic Teller Machines and mass storage systems
- Printers

Market Statistics (US\$ million)

Computers and Peripherals Market in Thailand

<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
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A. Total Market Size	335	530	630	755
B. Total Local Production	150	175	200	230
C. Total Exports	15	20	25	30
D. Total Imports	200	370	455	555
E. Total Imports from U.S. (Exchange rate \$:Baht)	(1:41)	(1:38)	(1:37)	(1:37)

Notes: The above statistics are unofficial estimates, (e) represents estimate

14. Telecommunications Equipment (TEL)

The most significant developments in the telecommunications sector in Thailand include the enactment of several laws relating to the liberalization of telecommunications services in Thailand and the privatization of state-owned enterprises. Under a commitment with the World Trade Organization, Thailand must open its services market by 2006. This means that by no later than the year 2006, direct foreign competition could take place in the Thai telecommunications market. Several U.S. and foreign companies such as Nynex/Bell Atlantic of the United States, SingTel of Singapore, Telekom Malaysia, and Telenor of Norway, have begun investing and participating in the management of several existing telecommunications service operators in Thailand.

Key growth areas include mobile phones, Internet, and E-commerce. Mobile phones in use in Thailand increased from about 2 million lines in 1998 to 2.6 million lines in 1999. The number of Internet users in Thailand increased from 0.55 million to 1.12 million in 1999. In 1999, about 100,000 people engaged in e-transactions at a total amount of US\$32 million. These transactions are expected to increase to US\$1.2 billion by 2003.

Aside from mobile phones, Internet, and E-commerce, other key growth areas in the telecommunications sector in Thailand in 2001 should be in various value-added services such as:

- Broadband ISDN (Integrated Service Digital Network)
- Wide-band CDMA (Code Division Multiple Access) wireless telephony
- Third generation wireless communications
- DSL (Digital Subscriber Line)
- VoIP (Voice over Internet Protocol) telephony
- Voice messaging
- Video conferencing
- Teleconferencing
- Advanced digital intelligent network
- Toll free
- Calling cards
- Wireless local loop technology
- RCU's (Remote Concentrator Units)
- Satellite-based communications

Market Statistics (US\$ million)
Telecommunications Equipment Market in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	995	1283	1380	1500
B. Total Local Production	1200	1220	1280	1400
C. Total Exports	1046	857	900	1000
D. Total Imports	841	920	1000	1100
E. Total Imports from U.S.	237	115	130	140

Note: The above statistics are unofficial estimates
(e) represents estimate, US \$1 = 37 Baht

15. Leasing Services

The leasing business in Thailand has shown tremendous signs of recovery since the 1997 financial crisis. A new focus of the leasing business on the hire-purchase sub-sector has helped fuel this recovery. Automobile financing, for example, has recently shown strong signs of improvement following a 51.5 percent increase in domestic automobile sales in 1999. Strong foreign players such as Ford Credit (Primus Leasing) and GE Capital who entered into the leasing market just a few years ago in Thailand have also helped drive the recovery of automobile leasing services. These foreign players also entered the Thai market with strong financial backing from their parent companies. On the leasing side, a slow-down in capital investments in machinery and equipment among local manufacturers, added by NPL (non-performing loan) problems in the entire financial system, led leasing companies to de-emphasize their marketing efforts in creating new equipment/machinery lease clients, despite the government's relaxation of tight leasing regulations.

The leasing markets low NPLs at only 0.01% of the total NPLs outstanding (as reported by Bank of Thailand in February 2000), along with a rising trend in hire-purchases, make it a booming industry in Thailand. Hire-purchase income has been the main source of revenue of new foreign leasing companies, such as GE Capital Auto Leasing, Ford Leasing, and Benz Leasing. These new entrants are forcing most local firms to be more effective in their operation and financial plans in order to survive in the increasingly competitive environment. Under the new Financial Institutions Law, commercial banks will also be able to operate leasing businesses, making them the newest group of players in this market. The entrance of commercial banks into this market will increase competition in the industry, but with specialization requirements to operate in this field, fewer banks than foreign firms are likely to enter into the leasing market.

The top three players in the industry are GE Capital Auto Lease (GECAL), Toyota Leasing, and Siam Panich Leasing (SPL). Their combined loan portfolio totals over 30 billion baht (approximately US\$ 790 million), representing approximately 40 percent of the total market size. Each player in the market competes differently with what they believe to be their own

effective strategies. GECAL uses its lower funding cost and speedy/high quality services as its competitive advantage. SPL has recently focused on the used car market with careful risk management in place. Toyota leasing continues to dominate their own Toyota cars' financing, a captive market which the company is doing everything possible to protect its market share. On the buy side, now is the time for dividing good customers from bad ones. Only prime and good credit standing corporations will be able to borrow from leasing firms, especially for machinery and equipment leases.

For U.S. companies interested in market opportunities in Thailand's growing leasing industry, leasing directly to consumers in the form of hire-purchases is generally more attractive than equipment or machinery leasing. Since banks are reluctant to extend new credit to Small and Medium-sized Enterprises (SMEs), the leasing business is well suited for SMEs, which are now considered the main engine for economic recovery in Thailand.

In the future, the Thai leasing industry will become more standardized in its business procedures. With foreign and experienced newcomers having cheaper funding alternatives, more competition will open up. Such an environment would make funding a common problem for most leasing companies, especially local firms owned by Thais, thus making it much harder for local leasing firms to stay competitive. Success of a leasing company will come through well-planned marketing strategies, good relationships with dealers and clients, and an understanding of the local market given the changing regulatory environment.

The best sales prospects in the leasing industry are associated with hire-purchase related products. They are:

- Joint Ventures with local manufacturers (so called OEMs) where the leasing company sets up a leasing program connected with the names of manufacturers, i.e. Nissan Vehicle Leasing, Mitsubishi Leasing, Volvo Leasing, etc.
- Fleet Leasing Programs
- Floor Plans
- Leasing Services via the Internet

Market Statistics (US\$ million)

Leasing loan portfolios in Thailand

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
Total Market	2,050	2,321	2,645	3,013
Total Local Leasing Firms	1,632	1,782	2,030	2,313
Total U.S.-based Firms	419	539	614	700

Note: The above statistics are unofficial estimates

(e) represents estimate, US \$1 = 38 Baht

Inflation Rate : 1.2% (Bank of Thailand's figure, as of April 2000)

Source: Industry sources and company interviews

16. Process Controls – Industrial (PCI)

The Thai process control market relies entirely on imports as there is no domestic production of high tech instruments. Following the massive contraction in 1997, market demand in 1998-1999 dramatically grew to support the implementation of new power plants and the expansion of petrochemical industry. The growth of process control market depends upon the growth of the commercial, industrial and public service sectors. The market is expected to grow about 5% over the next few years in line with new major projects and existing facilities' expansions, upgrades and replacements in the power, petrochemical, and oil and gas sectors.

U.S. instrumentation and systems maintain about 30% of the market share and dominate high-tech and high-investment markets especially in the energy and petrochemical sectors. The use of process control instruments is widespread in most industrial sectors in Thailand. Thailand's promotion of foreign, local, and joint-venture investments in key industries such as automotive, electronics, and petrochemical will also contribute to the growth of process control market.

The best sales prospects in this sector include:

- Programmable Logic Controller
- Measuring and Detecting Instruments
- Test Machines and Appliances
- Balancing Machines
- Valves
- Parts of Instruments and Apparatus

Market Statistics (millions of US\$) **Process Controls Market in Thailand**

	<u>1998</u>	<u>1999</u>	<u>2000e</u>	<u>2001e</u>
A. Total Market Size	390	490	520	550
B. Total Local Production	0	0	0	0
C. Total Exports	0	0	0	0
D. Total Imports	390	490	520	550
E. Total Imports from U.S.	120	150	160	170
(Exchange rate \$:Baht)	(1:41)	(1:38)	(1:37)	(1:37)

Notes: The above statistics are unofficial estimates, (e) represents estimate

BEST PROSPECTS FOR U.S. AGRICULTURAL EXPORTS TO THAILAND

Thailand ranks among the leading importers of U.S. agricultural and food products. Despite an overall economic recovery, Thai imports of total U.S. agriculture, fish and forestry products in 1999 were basically unchanged from the 1998 level at US\$ 438 million. From 1993 to 1997, U.S. agricultural exports to Thailand grew from \$ 304.5 million to \$ 576 million. U.S. exports to Thailand dropped sharply by 24 percent in 1998 following the economic crisis in Asia including Thailand.

Of total U.S. agricultural exports in 1999, bulk items apparently decreased due mainly to a sharp decline in cotton exports (\$ 28.1 million compared with \$ 65.3 million in 1998). Meanwhile, U.S. exports of consumer ready food, forest products, and fishery products witnessed a recovery to some extent in 1999. U.S. exports should register a growth of 5-10 percent in 2000 in line with continued recovery in Thai economy.

The lack of available credit to agricultural product processors in Thailand is still dampening demand for U.S. bulk agricultural commodities. Government of Thailand measures have reduced interest rates and loosened banks reluctance to lend. This has increased consumer confidence and has been reflected in increased demand for cotton products (clothing) and consumer foods like meat poultry. Cotton and Tobacco have historically been among the top 4 exports of U.S. agricultural product to Thailand. If consumer demand does follow current trends, U.S. agricultural exports could return pre-crisis levels in 2000. Unfortunately, not all sectors have benefited. U.S. exports of fresh fruits, processed fruits and vegetable and dairy products are limited to tariff and non-tariff constraints. Several commodities, most notably canned salmon, snack and pet foods had record years in Thailand.

Even with the dominance of Thailand's manufacturing sector, agriculture remains an important part of the overall economy. Thailand is a net exporter of agricultural and processed food products with food exports comprising about 17 percent of total exports in 1999. The export competitiveness of some commodities, notably poultry meat and seafood, were enhanced by the depreciation of the Baht in 1997 and agricultural exports overall continued to be strong in early 2000. These exports offset to a large extent the drop in demand from domestic consumers and have contributed to more stability in farm sector incomes. In addition to export earnings, the agriculture sector continues to employ a relatively large portion of Thailand's workforce (45.7 percent of the total in 1998). Agricultural production accounted for about 12 percent of Thailand's GDP in 1999.

Best US Agricultural Prospects:

1. Soybeans
2. Soybean Meal
3. Wheat
4. Forest Products (Temperate Hardwood Lumber)
5. Dairy Products

SOYBEANS:

(Thousand Metric Tons)

	1998	1999	2000e	2001e
Beginning Stocks	94	42	27	27
Production	338	335	320	300
Total Imports	610	620	700	760
U.S. Imports	585	450	400	420
Total Consumption	1,000	1,000	1,047	1,060
Ending Stocks	42	27	0	20

* Market Year Sept-Aug

* Total Market Size = total consumption

The above statistics are unofficial estimates, (e) represents estimate

Thailand's soybean import market is expected to continue to grow due primarily to growing to growing demand for feed by the livestock sector. The depreciation of the Baht has already lead to significant additional exports of poultry meat. Thailand's struggling economy, which was dampening domestic demand for meat products, which were becoming an increasingly important component of overall demand for soybeans, is beginning to show signs of a turnaround. This economic recovery in Thailand will lead to renewed growth in domestic demand for these products. The United States has been the primary beneficiary of Thailand's recent dismantling of the soybean import tariff-rate quota and is expected to maintain its role as the dominant supplier.

SOYBEAN MEAL:

(Thousand Metric Tons)

	1998	1999	2000e	2001e
Beginning Stocks	0	297	252	247
Production	625	625	665	670
Total Imports	1,272	900	900	950
U.S. Imports	170	150	150	150
Total Consumption	1,600	1,570	1,570	1,600
Ending Stocks	297	252	247	267

* Market Year Sept-Aug

* Total Market Size = total consumption

The above statistics are unofficial estimates, (e) represents estimate

There is likely to be continued increases in Thailand's import of soybean meal over the next several years. Domestic soybean production is on the decline and cannot keep pace with demand from the feed sector, especially from the poultry export industry. Increases in soy meal imports will be partially a function of the degree to which crushers can handle the flow of

domestic and imported beans, as well as the degree to which growers curb imports by urging the government to impose a tariff of anywhere from 5 to 15 percent.

WHEAT:

(Thousand Metric Tons)

	1998	1999	2000e	2001e
Beginning Stocks	90	154	214	234
Production	0	0	0	0
Total Import	744	800	800	830
U.S. Imports	302	340	340	350
Total Consumption	680	740	780	820
Ending Stocks	154	214	234	244

* Market Year Jul-Jun

* Total Market Size = total consumption

The above statistics are unofficial estimates, (e) represents estimate

Thailand's wheat imports will likely track population growth over the next 5 years, as the current economic problems will limit consumer demand growth. The United States has always been the major supplier of wheat to Thailand, usually with around 50 percent of the market. With increased smuggling of cheaper flour from Malaysia, convincing the authorities to remove the specific duty of 1,000 Baht/ton may be less difficult and will stimulate additional demand for wheat.

TEMPERATE HARDWOOD LUMBER:

(Thousand Cubic Tons)

	1998	1999	2000e	2001e
Total market size	1,035	1,200	1,500	1,600
Total local production	0	0	0	0
Total exports	75	225	200	200
Total imports	960	975	1,300	1,400
Total imports from U.S.	60	100	120	140

* Market Year is the Calendar Year

* Total Market Size = total consumption

The above statistics are unofficial estimates, (e) represents estimate

Thailand's demand for imported hardwood lumber has been driven by the depleting of domestic forest resources and the growth of a wood manufacturing industry, largely for the export of flooring, other interior products, and furniture. Although the near-term outlook remains pessimistic due to slack domestic demand and lack of financing for export-oriented manufacturers, the long-term outlook remains promising provided Thailand's economy recovers.

Thailand's imports of U.S. forest products, mainly temperate hardwood lumber, was only \$ 25 million in 1999, down \$ 3 million from the year before. Hardwood veneer is another leading U.S. product sold to Thailand. U.S. forest products compete with tropical hardwoods from other Asian countries, as well as temperate hardwood products from Europe. While tropical hardwoods have traditionally been the wood of preference in Thailand, diminished supplies have created tremendous potential for temperate hardwoods.

DAIRY PRODUCTS:

(US\$ Million)

	1998	1999	2000e	2001e
Total market size	590	610	640	670
Total local production	317	330	350	360
Total exports	0	0	0	0
Total imports	273	280	290	310
Total imports from U.S.	16	17	20	22

Notes: The above statistics are unofficial estimates, (e) represents estimate

After a reduction in consumption of dairy products 1998, the market for dairy products in Thailand is estimated to show some signs of renewed growth in 1999 and 2000. This is in line with predictions of recovery in the overall economy and the Thai government's continuation of its school milk program. About 80 percent of dairy products consumption is in the form of UHT and pasteurized milk and yogurt, with the balance going to whole milk powder, cheese and whey. Thailand will have a difficult time producing enough dairy products to meet demand. So, demand for imported skimmed milk and other dairy products will remain high and should increase if full recovery returns.

Barriers to Agricultural Trade

The Thai Government is complying with its WTO tariff reduction commitments and has significantly eased other barriers for a small, select group of agricultural and food products in the past 2 years. The United States has benefited from these measures through increased sales and/or additional market share. There has been a recent decision to lower tariffs on select agricultural commodities by year the 2000. This should further enhance U.S. export potential.

Nevertheless, Thailand's high tariff structure remains a major market access impediment. Duties on many high-value, fresh and processed food products are especially high. Even though the rates will decline by 33 to 50 percent under the WTO, most items will remain in the 30 to 40 percent range by the year 2004 -- high compared with Malaysia, Singapore, and Indonesia. Thus, producers of meats, certain fresh and dried fruits, juices, and other packaged items may still find it difficult to penetrate the Thai market.

In addition to high duties, other Thai policies continue to impose tough barriers on imports of products. For example, Thailand's food registration and labeling requirements are time-consuming and costly for suppliers of processed food products. Recent decisions to significantly increase the excise tax on wine has caused wine imports to drop dramatically. U.S. wine sales to Thailand have been tremendously effected by the excise taxes. Exports of U.S. wines and beer had dropped from \$5 million in 1996 to just under \$1 million in 1999, up slightly from \$605 thousand in 1998. Finally, Thailand's restriction on corn imports to a certain time of the year puts U.S. corn at a competitive disadvantage to other suppliers.

SIGNIFICANT U.S. INVESTMENT OPPORTUNITIES

The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly 60 percent of total U.S. exports originate with American firms with investment abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty Negotiations and Business Facilitation Programs, that support U.S. investors.

Due to the economic crisis, Thailand's investment picture has changed, with some opportunities disappearing and others emerging. Much government infrastructure spending has been curtailed, but privatization is accelerating and international investment is being sought vigorously. Many Thai corporations or multilateral organizations operating in Thailand are cash-poor but asset rich. During the boom time, before the crisis, most had been overly expanded and leveraging themselves with high debts, with less emphasis on capital increase or equity participation from foreign partners. Foreign partners, do not only bring capital, but also technology, management, and technical skills. To encourage investment, the Royal Thai Government is revising many of its laws and regulations and examining its investment incentive programs.

As reported by the Board of Investment (BOI), investment in Thailand is on the road to recovery, reflected by significant increases in the number of investment projects and the amount of investment capital involved in applications for Board of Investment Promotion in the first four months of 2000. Applications submitted for this period numbered 364, a 52% increase from the same period last year. Aggregate investment capital jumped by 142.62% to Bt 103.6 billion (approx. US\$ 2.7 billion). Combined corporate registered capital was Bt 14.4 billion (approx. US\$371 million), divided almost equally among Thai and foreign corporations.

Despite the economic crisis, Japan continued to be the biggest foreign investor in Thailand, with investment projects in the country totaling Bt 31.6 billion (approx. US\$814 million). The second largest investor in Thailand was Taiwan with Bt 18 billion (US\$464 million) followed by the U.S. with projects worth Bt 9.64 billion (US\$248 million). Most BoI-backed projects were joint ventures between foreign and Thai partners, accounting for 40 percent of the total number.

The following infrastructure privatization programs will generate ample investment opportunities for U.S. firms in the near-term:

- Airports Privatization Program
- Construction of the New Bangkok International Airport (NBIA)
- Thai Airways International Company Limited Privatization
- Inter-city Motorways

CHAPTER VI. TRADE REGULATIONS, CUSTOMS AND STANDARDS

Trade Barriers

Tariffs on Non-Agricultural Products

During its 1999 fiscal year, Thailand's average effective tariff rate was 3.81 percent, up marginally from 1998's 3.28 percent, but down significantly from 5.5 percent and 6.7 percent in the years preceding. (This figure is calculated as a ratio of import duties collected to total imports into Thailand. By way of comparison, the simple average tariff on 5,846 dutiable items was 16.97 percent.) The lower rates are reflective of Thai government policies to reduce rates in line with ASEAN Free Trade Area (AFTA) and World Trade Organization commitments. Import tariffs in FY 1999 accounted for 9.35 percent of government revenues, down from 14.9 percent in 1996.

Thailand has been working to rationalize a complicated tariff regime with a multitude of rates with a system that will divide products into three categories of primary, intermediate and finished goods. In general most imported goods are now divided into six bands as follows: Goods such as medical equipment and fertilizers are dutied at 0 percent. Raw materials, electronic components, and vehicles for international transport are dutied at 1 percent. Duties of 5 percent are levied on most primary and capital goods, while intermediate goods are taxed at 10 percent. Finished products are generally dutied at 20 percent, and goods where competing Thai products need "special protection," such as some fabrics and clothing, refrigerators and air conditioners, may be dutied at 30 percent.

Since 1997 duties on over 4000 items have been reduced, and the government just announced reductions on another 542 items (largely chemical products and machinery) to improve the competitiveness of Thai producers on July 4, 2000. A previous round of reductions, targeted at stimulating industrial production, was announced in August 1999.

Anomalies in the Thai tariff schedules remain. In some cases import duties on component parts and materials destined for assembly here are higher than on the finished products. Most of these problems will be addressed as Thailand completes adoption of the Harmonized System.

Tariffs on Agriculture and Food Products

The Thai Government is complying with its WTO tariff reduction commitments and has significantly eased other barriers for a small, select group of agricultural and food products in the past 2 years. The United States has benefited from these measures through increased sales and/or additional market share.

Nevertheless, Thailand's high tariff structure remains a major market access impediment. Duties on many high-value fresh and processed food products are especially high. Even though the rates will decline by 33 to 50 percent under the WTO, most items will remain in the 30 to 40 percent range by the year 2004 -- high compared with Malaysia, Singapore and Indonesia. Thus, producers of meats, certain fresh and dried fruits, juices, and other packaged items may still find it difficult to penetrate the Thai market.

Thailand's tariff rate quotas for a selected number of agricultural products were adjusted in 1996. In some cases, Thailand has lowered applied tariffs on agricultural and food products below its WTO commitments. For example, in October 1996, Thailand eliminated the quota for soybeans and reduced tariffs on soybean meal when specific domestic purchase requirements were met. For corn, however, Thailand continues to require that imports arrive between February and June. Corn is also subject to a tariff-rate quota based on domestic wholesale corn prices. Rice is subject to a "safeguard" on importation and price levels, pursuant to WTO rules.

Non-Tariff Barriers

In addition to high duties, other Thai policies continue to impose tough barriers on imports of products. For example, Thailand's food registration and labeling requirements are time-consuming and costly for suppliers of processed food products.

Phytosanitary standards continue to be a source of concern for the United States. After years of effort, the United States in 1995 was able to obtain Thai approval for the importation of fresh citrus fruit from Florida and California. Since then, however, efforts to obtain approval for citrus from Texas and Arizona have been stalled for technical and bureaucratic reasons.

IMPORT TAXES AND CUSTOMS REGULATIONS

For several years, foreign companies and their importers in Thailand have encountered inconsistencies in the operations of the Thai Customs Department particularly for goods valuation. To abide by the GATT Valuation System (GVS), Thailand announced its new customs valuation scheme on March 8, 2000, which became effective on January 1, 2000. Under the new system, there are 6 methods in order of relevance to calculate the import duty.

Method 1: Transaction Value of the Imported Goods

Method 2: Transaction Value of Identical Goods

Method 3: Transaction Value of Similar Goods

Method 4: Deductive Value

Method 5: Computed Value

Method 6: Fall Back Value

Since this is a new system, there may be cases where practice deviates from standard guidelines. However, less and less discrepancies should take place as the implementation of the overall Electronic Data Interchange (EDI) system nears completion. This system coordinates all the tasks in order to eliminate massive paperwork at organizational and inter-organizational levels. Customs Department information will soon be shared on-line with other organizations such as the Revenue Department, banks, warehouses, the Port Authority, and financial institutions. As ongoing operations become more public, it is expected that tasks will be performed with higher transparency. The online connection between the Customs Department and the Revenue Department is supposed to be completed by early 2001.

The Customs Department is preparing amendments to the current tax structure. Under the new tax umbrella, goods are to be divided into three sub-groups – 1) primary/raw materials, 2) intermediate and semi-processed products, and 3) finished products. The remedy is aimed to lessen anomalies in the tariff schedule. The new tax structure and tariff rates have been submitted to the Ministry of Finance but further amendments are foreseen, after which corrections and improvements are to be performed before submission to the cabinet. The whole process may postpone the new structure from being implemented by the year 2000. For American products, rates under the WTO and these rates (to be announced in the future) will be compared. American goods will be subject to whichever rate is lower.

By nature, regulations at the Customs Department are subject to frequent changes, which may be difficult for foreigners to observe and follow. It is highly advisable for foreign exporters to have reliable freight forwarding and Customs Clearing companies representing them in the goods clearing process and customs relations in Thailand. Details can be obtained from the Customs Department's website at www.customs.go.th.

In addition to import duties handled by the Customs Department, certain import items are also subject to excise tax. These include gasoline and products thereof, automobiles (less than 10 seats), electrical appliances, beverages, perfume, yachts and vessels for entertainment, lead crystal and other crystals, carpets and woven fur items, motorcycles, batteries, marble and granite, liquor, tobacco, and playing cards. It is worth mentioning that an excise tax is also imposed on local products in the same categories as well as on certain entertainment service providers such as horse racing grounds/clubs and golf clubs.

Excise tax is calculated on CIF value plus import duty, special fees pursuant to the Investment Promotion Act and any other taxes or fees as prescribed by Royal Decree (Excluding VAT). Further information on excise taxes can be obtained from the website of the Excise Tax Department, Ministry of Finance at www.exd.mof.go.th.

IMPORT LICENSE REQUIREMENTS

The Ministry of Commerce designates classes of goods that are subject to import controls, which usually take the form of permission or licensing. The Thai Ministry of Commerce requires import licenses on 51 product categories that include certain raw materials, petroleum, textiles, industrial and agricultural products. A license to import any of the specified items must be secured from the Ministry of Commerce or other related agencies prior to importing.

There is a ban on the import of used motorcycles and parts, household refrigerators using CFCs, and commercial video games. For agricultural products, Thailand is in compliance with WTO obligations, having replaced import license requirements for agricultural products with tariff rate quotas and tariffs.

Additionally, a number of products are subjected to import control under other laws:

- importation of processed foods, medical devices, pharmaceuticals, vitamins, and cosmetics require licensing from the Food and Drug Administration, Ministry of Public Health.
- importation of tungstic oxide, tin ores, and metallic tin in quantity exceeding two kilograms require permission from the Department of Mineral Resources, Ministry of Industry.
- importation of arms, ammunition, or explosive devices require licensing from the Ministry of Interior.
- importation of antiques or objects of art, whether registered or not, require permission from the Fine Arts Department, Ministry of Education.

EXPORT CONTROLS

Thailand maintains few restrictions on exports out of the country, except where national security, economic stability, public welfare and ethics, and international relations/agreements are concerned. Some of the products under strict export control are wildlife, beans, charcoal, coal, coffee, rice, corn, sand, gold, fuel, decorative sea fish and certain species of marine life, fertilizers, buddha images, teak wood, fresh longans, garments, orchids, donkeys and horses.

For export of garment, textile and apparel products, exporters are required to contact the Department of Foreign Trade, Ministry of Commerce for export quotas prior to shipment.

IMPORT/EXPORT DOCUMENTATION REQUIREMENTS AND CERTIFICATION

General customs clearing procedures for both imports and exports in Thailand require the submission of a Customs' export entry form or import entry form. The form should be accompanied by standard shipping documents, which include: commercial invoice, packing list, bill of lading/airway bill, and letter of credit. Some products may require import/export license and/or authorization from relevant agencies. These include food products (processed or unprocessed), pharmaceuticals, medical devices, healthcare products, cosmetics, hazardous substances, animals, and some agricultural products. In general, use of a freight forwarder to deal with import and export customs clearing in Thailand is highly recommended.

TEMPORARY GOODS ENTRY REQUIREMENTS

Thailand has joined the ATA Carnet System. Therefore, products for exhibitions or demonstrations can be imported for up to 6 months without payment of custom duties and value-added tax. Businesses must obtain a bank guarantee for the value of the imports. If the product is not re-exported within six months, duties and tax will then be levied. The entry of exhibit materials can be handled by freight-forwarding companies for customs clearance and other required procedures. For further information, please contact the Bangkok International Airport Customs House tel: (662) 535-1550, Public Relations Sub-Division, Customs Department tel: (662) 249-9017, 249-3298; Customs Department web site: www.customs.go.th or the Commercial Service Bangkok tel: (662) 205-5090.

LABELING REQUIREMENTS

Labels must be approved by the Thai Food and Drug Administration and affixed to imported food products. Labels must bear the product name, description, net weight or volume and manufacturing/expiration dates. The label must also identify the manufacturer or distributor's name and address, and the product/label registration number. All labels must be printed in Thai with the exception of alcoholic beverages.

To apply for label approval from the Thai Food and Drug Administration Office, one needs to present a certificate of Food Analysis Report issued by the government of the country of origin or any accredited private laboratory. This certificate should be issued not more than one year from the date of the label approval application. The result of the analysis must comply with the quality or standards specified in the Ministry of Public Health's ministerial notification. A copy of the ministerial notification can be obtained in English, free of charge, from the Food and Drug Administration, Ministry of Public Health, Royal Thai government. Please see Appendix E, US and Thailand contacts for the address, phone and fax numbers.

Five copies of the original label, together with the Thai labels attached in the way that the food product will be presented for marketing, must be attached to the application.

PROHIBITED IMPORTS

For similar reasons to export controls, certain items follow strict regulations governing imports into Thailand. Some of these items are garlic, jute, gas, a range of agriculture commodity products, fashion and apparel, refrigerators, fresh milk, automobiles, decorated stones, plastic scrap, diamonds, hydrogen peroxide, patented products and copied products, potatoes, machinery, antiques items, printers, oil and fuel, games, tea, coconut, and gold.

Importers are required to contact concerned government agencies to apply for required permits / licenses prior to import and arrival of goods into Thailand.

WARRANTY AND NON-WARRANTY REPAIRS

(Duties / taxes charged on replacement parts, or on goods brought in temporarily for repair and re-export)

U.S. companies based in Thailand can be exempted from import duties for items which are brought into the country and which had left the country before. This is normally the case of repair and service products. The case can fall under one of the following two scenarios:

- a) Tax of the previous shipment has been reimbursed from the Customs Department. In case the company has applied and been reimbursed for tax from the transaction related to previous shipment, the local company has to process a permit/certificate to allow re-entry of the goods. The said permit application must be placed at the same port as the port of departure from previous outbound shipments. The authorities will check the record of the product to ensure that there has been no modification and changes to product attributes. The goods can stay in Thailand initially up to one year with the possibility of renewal for another year.
- b) If the exporter in Thailand did not apply for a tax reimbursement, the exporter can collect the goods. No special permit is required. The same time frame as the above case is allowed.

Outbound re-shipment of products involves no duties. It is important to make certain that products included on the import control list receive special permits/approval from concerned government offices such as the Food and Drug Administration (FDA).

STANDARDS

An exporting drive makes compliance with international standards important to companies in Thailand. As of May 1, 2000, 770 companies have been certified to be in compliance with ISO 9000 international standards. This figure represents a 60 percent increase from 1999 (1,110 companies). 265 companies have been certified to be in compliance with ISO 14000 standards, which represents an increase of 105 percent from 1999 (129 companies). In addition, there are 40 Thai food processors that have been certified to be in compliance with the Hazard Analysis and Critical Control Point (HACCP) system.

The Thailand Industrial Standards Institute (TISI) is the national standards organization under the Ministry of Industry. TISI is empowered to give product certifications according to established Thai standards and is an accredited body for ISO and HACCP certifications in Thailand. The government of Thailand requires a compulsory certification of sixty products in ten sectors including: agriculture, construction materials, consumer goods, electrical appliances and accessories, PVC pipe, medical, LPG gas containers, surface coatings, and vehicles. Certification of other products is on a voluntary basis. Industrial products that have TISI's certification are generally regarded as having high standards and good quality. TISI has certified a total of 1,921 products on a voluntary basis.

FREE TRADE ZONES/WAREHOUSES

Thailand has several Free Trade Zones (FTZs) Export Processing Zones (EPZs). Firms located in FTZs/EPZs are exempt from import duties and other taxes on factory construction

materials, machinery and equipment and export manufacturing inputs. Within FTZs/EPZs, foreign investors are permitted to own land and employ foreign technicians and experts. FTZs/EPZs are (generally) co-located within industrial estates developed either by the Thai Industrial Estate Authority or by the private sector. Therefore, they have full infrastructure facilities and generally good access to transportation.

The Thai Government set up the Eastern Seaboard Development Program in 1981 to establish the country's new industrial development complexes. Laem Chabang Industrial Estate with a Free Trade Zone and Export Processing Zone was established in Chon Buri Province and Map Ta Phut Industrial Estate with a Free Trade Zone in Rayong Province. With the support of a deep-sea port, Laem Chabang Industrial Estate serves agriculture-based and other light industries such as electronics, auto parts, toys and sports goods shipped in container ships. With another deep-sea port, Map Ta Phut Industrial Estate serves heavy industries such as oil refineries, petrochemical plants, chemical plants, and fertilizer plants with bulk cargo service. Private investors have subsequently developed seven more industrial estates in the Eastern Seaboard areas. Now, the National Economic and Social Development Board (NESDB), the national economic policy office, is planning Phase II of the Eastern Seaboard Development Program to be implemented in the next twenty years. Eight additional provinces (for a total of eleven provinces) will be included in the Phase II plan. Five industry sectors will be targeted:

- Chemical and petrochemical industry
- Automobile and spare parts industry
- Metal processing industry
- Air transport export industry which will serve agricultural products, seafood, textile and garments, electrical and electronics appliances, surgical and medical devices, watches and clocks.
- Other support and service industries such as restaurants, medical services, industrial research and educational institutes, financial and banking services, department stores, security services, machinery maintenance services, and construction services.

On May 27, 1999, the Industrial Estate Authority of Thailand announced a one-year investment incentive package to encourage direct investment in three new industrial estates (the Southern Industrial Estate in Chalung, Songkhla Province; the Pichit Industrial Estate in Pichit Province; and the Map Ta Phut Industrial Estate's new community zone). The package provides up to 30 percent discount on land sales and rents, exemption of the first-year rental and maintenance fee, payment extensions and relaxation on collateral.

The Government plans to establish a special economic zone with duty-free zone status to facilitate export-based industries in the Southern Seaboard Area. The National Economic and Social Development Board (NESDB) has conducted a study of this project funded by the Japanese International Cooperation Agency (JICA). In addition, on June 2, 1997, the NESDB hired a U.S.-led consortium under the sponsorship of the U.S. Trade and Development Agency (TDA) to undertake a feasibility study on the development of a Southern Seaboard Ports and Industrial Complex development project. However, because of the economic crisis, the project has been put on hold.

The Customs Department allows larger firms, engaged exclusively in manufacturing for export, to set up bonded warehouses and to import (duty-free) inputs for their export production. Producers who receive approval to establish bonded warehouses pay an annual fee and avoid paying duties if they submit guarantees for duties.

SPECIAL IMPORT PROVISIONS

Thai Ministry of Commerce licenses must be obtained for 42 import items, 23 of which are agricultural. In general, items under import licensing may be divided into three categories. These are: 1) goods whose import is restricted to protect local industries; 2) goods whose purchase is subject to a requirement for a concurrent purchase of similar domestically produced goods; and 3) goods whose import is controlled for health, security and other reasons.

As an anti-dumping measure, the Thai Ministry of Commerce has levied special fees on some imported goods from certain countries. No U.S. goods have been affected.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Thailand is a member of the Association of Southeast Asian Nations (ASEAN). In 1992, leaders of ASEAN governments approved a Thai proposal to establish the ASEAN Free Trade Area (AFTA), which aims to reduce tariffs on most processed agricultural and industrial products traded among ASEAN countries, to zero to 5 percent by the year 2007. The agreed date for completing the implementation of AFTA has been moved up to the year 2003.

Other ASEAN members are Brunei, Indonesia, Malaysia, the Philippines, Singapore and Vietnam. Burma, and Laos were admitted in July 1997, and Cambodia in April, 1999. Altogether, the ASEAN countries absorbed over \$300 billion in imports in 1996. While Thailand has begun a program of phased reductions to meet the tariff reduction target, the extent of AFTA's coverage and the extent of participation of each member country remains to be finalized. Thai officials have said that they favor expanding AFTA to include other countries in the region, and a possible linkage between AFTA and the Australia-New Zealand free trade arrangement is being discussed.

CUSTOMS CONTACT INFORMATION

Import-export statistics and import tax rates can be accessed from the customs website at www.customs.go.th.

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Import Formalities / Bangkok Port Import Clearance Bureau

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Importation/Bangkok International Airport Customs Bureau

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Non-Port Inspection Area / Bangkok Customs Bureau

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Policy and Planning Division

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CHAPTER VII. INVESTMENT CLIMATE

A. 1. Openness to Foreign Investment

Government Policy

The Royal Thai Government has long maintained an open, market-oriented economy and encouraged foreign direct investment as a means of promoting economic development, employment, and technology transfer. Thailand welcomes investment from all countries and seeks to avoid dependence on any one country.

Over the past three years, the Thai Government in concert with the IMF has embarked on an economic reform program intended, in part, to foster a more competitive and transparent climate for foreign investors and creditors in an effort stimulate investment flows. A primary focus of this program has been the financial sector, which was crippled by a huge amount of bad debt resulting from the Asian economic crisis. Legislation establishing a new bankruptcy court, reforming bankruptcy and foreclosure procedures, and allowing creditors to pursue payment

from loan guarantors has been enacted. Other reforms put in place recently include amendments to the Land Code, the Condominium Act and the Property Leasing Act, which will liberalize, to some extent, restrictions on property ownership by non-Thais.

A reform of more direct interest to non-financial investors is the new Alien Business Act, which became law in early 2000 and replaces the old Alien Business Law of 1972 (National Executive Council Announcement No. 281). The new law governs most investment activity by non-U.S. nationals, opens additional sectors to foreign investment, and increases maximum ownership stakes permitted in some sectors above the current 49 percent limitation. As of June 2000 the ministerial regulations that will guide implementation of the Act are still under review.

Many aspects of the reform measures enacted in the aftermath of the crisis were controversial and strongly resisted by the political opposition and other powerful elements of Thai society. The fact that the government was able to persevere with its reform agenda in the face of strong domestic opposition is indicative of its commitment to economic reform and an open investment climate.

Treaty of Amity

The U.S.-Thai Treaty of Amity and Economic Relations of 1966 allows U.S. citizens and businesses incorporated in the U.S., or in Thailand that are majority-owned by U.S. citizens, to engage in business on the same basis as Thais, exempting them from most of the restrictions on foreign investment imposed by the Alien Business Law of 1972 (and the new Alien Business Act). Under the Treaty, Thailand restricts American investment only in the fields of communications, transport, fiduciary functions, banking involving depository functions, the exploitation of land or other natural resources, and domestic trade in agricultural products. Notwithstanding their treaty rights, many Americans choose to form joint ventures with Thai partners and allow them to hold the majority stake because of their familiarity with the Thai economy and local regulations or to invest with Board of Investment promotion because of the incentives available.

In the Uruguay Round negotiations, all parties agreed that the privileges provided by the Treaty of Amity to U.S. investors in the service sector would be exempted from "Most Favored Nation" requirements for ten years, beginning with the establishment of the World Trade Organization in January 1995. During this ten-year period, Thailand is expected to liberalize its investment regime so as to provide roughly equivalent treatment to all foreign investors in the service sector. If treatment for all foreign investors is not equal to that provided under the Treaty of Amity by 2005, the Treaty will have to be adjusted.

Registration, Work permits

Any entity wishing to do business in Thailand must register with the Department of Commercial Registration in the Ministry of Commerce. Firms engaging in production activities need to register with the Ministries of Industry and Labor. American citizens can enter Thailand without a visa for visits up to thirty days. In order to apply for a work permit, a foreigner must enter Thailand on a non-immigrant visa (issued at Thai embassies and consulates) for a stay of three

months or, for foreigners with well-defined work or business plans, for a stay of one year. Issuance of the three-month visa usually is completed within two or three days; the one-year visa requires approval from the Immigration Bureau of the Thai Police Department in Bangkok. Upon obtaining a work permit, a holder of a three-month visa may apply for a one-year visa, which generally can be extended every year. Foreigners holding non-immigrant visas who have lived in Thailand for at least three consecutive years may apply for permanent residence in Thailand if they meet strict criteria regarding investment or professional skills.

The Alien Occupation Law of 1972 (decree no. 322) lists occupations reserved exclusively for Thais, which include professional services such as accounting, architecture, law and engineering, the manufacture of traditional Thai handicrafts, and manual labor. The law also states that all non-Thais working in Thailand, with limited exceptions, must possess a work permit issued at the discretion of the Ministry of Labor and Social Welfare, although some foreigners already working in Thailand were exempted through a "grandfather" clause. Factors that influence the granting of work permits include the degree of specialization required by the position; the size of the firm in terms of number of employees and registered capitalization; and the ratio of Thai nationals to foreigners employed by the firm. Foreigners working for the Thai government or working for projects promoted by the Board of Investment usually have little difficulty obtaining work permits. Work permits in other areas are sometimes difficult to obtain, despite the fact that senior managers and technical personnel are in short supply.

Land Ownership

Generally non-Thai businesses and citizens are not permitted to own land in Thailand unless given permission by the Board of Investment or unless the land is on government-approved industrial estates. Under the recently approved amendment to the Land Code, foreign investors, who invest a minimum of 40 million Baht, will be permitted to buy up to 1,600 sq. meters of land for residential use with permission of the Ministry of Interior. Petroleum concessionaires may own land necessary for their activities. Many foreign businesses instead sign long-term leases, and then construct buildings on the leased land. Under the newly enacted Property Leasing Bill, non-Thais are allowed to own up to 49 percent of a condominium building, though other restrictions apply. Obtaining qualified legal advice is recommended for Americans planning to invest in Thailand. This is particularly important because Thai business regulations are governed predominantly by criminal rather than civil law. Violation of Thai business regulations can carry heavy criminal penalties, and criminal liability can be assessed under numerous different laws.

Privatization

As part of its economic reform program, the Thai Government has embarked on a privatization program for state economic enterprises and state monopolies with the aim of encouraging capital inflows and relieving resource constraints in many key sectors of the economy. State-owned enterprises in Thailand operate primarily in the utility, energy, telecommunications, banking, tobacco and transportation sectors. In 1999, state enterprises had total revenues of \$23 billion, employed over 262,000 people and accounted for around 17.3 percent of GDP.

In September 1998 the cabinet approved a "Master Plan for State Enterprise Reform". The Master Plan lays out a comprehensive strategy and timetable for privatization in infrastructure, as well as various other state-owned enterprises. A new State Enterprise Corporatization Act, which provides the legal framework for the conversion of state enterprises into stock companies, came into force in December 1999. Corporatization is viewed as an intermediate step toward privatization, but major state enterprises have yet to be converted.

The government had hoped to partially privatize Thai Airways, the Communications Authority of Thailand (overseas service provider) and Telephone Organization of Thailand (domestic service provider) by the end of 1999 by selling shares to pre-selected foreign strategic partners. Legislation to establish a National Communications Commission is now in force, but guidelines for this regulatory body have not yet been enacted. Sales are likely to be delayed until after parliamentary elections, which must be held by January 2001. Sales of other government holdings previously identified as near-term candidates, including Bangchak Petroleum, a government stake in Esso Thailand and Ratchaburi Power Station, have been deferred due to employee opposition or, in the case of Esso, adverse market conditions.

Despite the stated plans, almost no significant privatizations have occurred except in the banking sector, where 75 percent stakes in two banks have been sold to foreign investors. The sale of a similar stake in another bank, also to foreign investors, is nearing finalization. Thus, with the exception of the banking sector, there is insufficient basis to comment on how foreign investors will be treated under the program. However, western management consultants retained by privatization authorities have indicated that there will be a substantial role for foreign investors in future privatizations.

A.2. Conversion and Transfer Policies

Exchange controls are governed by the Exchange Control Act of 1942 administered by the Bank of Thailand (central bank). Inward remittances are free of controls. The proceeds of exports with a value of more than 0.5 million Baht must be remitted as soon as received and within 120 days of export, and deposited within 7 days of receipt.

Presently, commercial banks are authorized to undertake most routine foreign remittance transactions without prior approval of the Bank of Thailand. Thai nationals are subject to quantitative limits on the amount of foreign currency that can be remitted abroad without specific permission of the Bank of Thailand. The limits vary depending upon the purpose of the transaction and range from \$10 million per annum for business investment or loans to subsidiaries to \$100,000 for remittances to family members.

All remittances exceeding \$5,000 for any purpose other than export must be reported to the Bank of Thailand.

A.3. Expropriation and Compensation

Private property can be expropriated for public purposes in accordance with Thai law, which provides for due process and compensation. In practice, this process is seldom used, and has

been principally confined to real estate owned by Thai nationals needed for public works projects. U.S. firms have not reported any problems with property expropriation in Thailand. We are not aware of any pending changes in Thai government policies that would adversely affect the property rights of U.S. nationals in this country.

A.4. Dispute Settlement

Thailand has a civil and commercial code and a newly amended bankruptcy law. Monetary judgments are made in Baht; foreign currencies in judgments are calculated at the market exchange rate. Decisions of foreign courts are not accepted or enforceable in Thai courts. Disputes such as the enforcement of property or contract rights have generally been resolved through the Thai courts. Thailand has an independent judiciary that generally is effective in enforcing property and contractual rights, but in practice the legal process is slow and litigants or third parties sometimes may affect judgments through extra-legal means. In addition, companies may establish their own arbitration agreements. At present, Thailand is not a member of the International Center for the Settlement of Investment Disputes. However, Thailand is a member of the New York Convention, and enacted its own rules on conciliation and arbitration in the Arbitration Act of 1987. The Arbitration Office of the Thai Ministry of Justice administers these procedures.

The Bankruptcy Act was amended in April of 1998 to provide Chapter 11-style protection to debtors and to give debtors and creditors the option of negotiating a reorganization plan through the courts instead of forcing liquidation. It allowed creditors to extend additional loans to insolvent firms without losing the right to claim compensation during a future restructuring or liquidation process (but only if the new loan is intended to keep the firm operating). The Bankruptcy Act was further amended in 1999 to address some remaining problems and to facilitate the financial restructuring process. New higher minimum levels for individual and corporate bankruptcies were established, and the previous ten-year period of bankruptcy status was reduced to three years. The 1999 amendments came into effect in April 1999.

Amendments to the Civil Procedure Code on Execution of Judgments entered into force in May 1999 and limit appeal options available to debtors in an effort to speed-up the foreclosure process. Under the old law, debtors were free to appeal each action taken with respect to the execution of a bankruptcy judgment. Such appeals, often frivolous in nature, were one of the tactics debtors used to delay the foreclosure process.

The Bankruptcy Court Act established a specialized court only for bankruptcy cases. Lawmakers hope that a specialized court will develop expertise in corporate restructuring that will speed up the process and help financial weak companies survive. The court began operation in June 1999, and early experience with the court has been positive.

A.5. Performance Requirements/Incentives

The Board of Investment (BOI), established by the Investment Promotion Act of 1977, is Thailand's central investment promotion authority. The BOI lists five priority sectors (detailed below) that are eligible for investment incentives. Incentives have been suspended in many

sectors in which the BOI believes there is no longer need to encourage further investment, such as packing canned tuna for export. Generally, the most generous incentives are offered for those activities that bring new technology to Thailand and locate investment in less-developed provinces. BOI incentives are of two basic types: tax-based (including tax holidays and tariff exemptions) and non-tax privileges (guarantees, special permissions, services, etc.).

The BOI's overall investment policy, as revised on May 31, 2000, and effective beginning August 1, 2000, is as follows:

1. In order to maximize the benefits of investment to the country and in line with policies supporting good governance, the BOI has moved to improve the efficiency of promotion incentives by introducing a performance-based system that will require promoted investors to submit evidence of compliance with the conditions of their approval in order to claim the benefits of their incentives.
2. To increase the global competitiveness of Thai exports, projects investing 10 million Baht (approx. \$256,400) or more will be required to obtain international standards certification, such as ISO 9000.
3. In order to ensure that Thai investment policy is in line with all international obligations, the BOI has lifted all local content and export requirements.
4. To encourage the distribution of opportunities and prosperity to the least-developed provinces, the BOI policy of decentralization will continue. Projects locating in least-developed provinces will receive maximum incentives.
5. To support the development of small- and medium-sized enterprises, the minimum investment amount (for BOI promotion) shall remain at one million Baht (approximately \$25,600), excluding the cost of land and working capital.
6. To promote investment in key sectors, five priority activities have been identified:
 - Agriculture and agricultural products;
 - Environmental protection and /or restoration;
 - Direct involvement in technological and human resource development;
 - Basic transportation, infrastructure and services; and
 - Targeted industries.

In 1993, the BOI initiated a major shift in emphasis from export orientation to industrial decentralization as a major policy goal. Intended to spur development rural areas where the population is employed primarily in the labor-intensive agricultural sector, this focus on decentralization continues under the new policy. A chief objective is to reduce congestion in the already overcrowded capital and to strengthen and diversify the economic base in the provinces.

Board of Investment incentives include:

-- Tax Incentives: exemptions/reductions of import duties on imported machinery; reductions of import duties on imported raw materials and components; exemptions from corporate income taxes for three to eight years; and, deductions from net income of infrastructure costs.

-- Permissions: to bring in foreign nationals to undertake investment feasibility studies; to bring in foreign technicians and experts to work under promoted projects; to own land for carrying out promoted activities.

-- Guarantees: against nationalization; against competition by new state enterprises; against state monopolization of the sale of products similar to those produced by promoted firms; against price controls; against tax exempt import by government agencies or state enterprises of competitive products; and, of permission to export.

BOI benefits that offer the greatest advantage over unpromoted industries are the tax incentives, though their relative value has declined in recent years with the general reduction of import duties and elimination of the former business tax system. The Value Added Tax (VAT) Law, which eliminated an antiquated business tax system, has no provision for the BOI to offer VAT exemptions or reductions.

Investors must submit application forms along with supporting documentation to be considered for incentives. In most cases, the BOI decides within sixty days whether or not a project is eligible for investment privileges. BOI policy is to complete action on applications for projects valued in excess of 200 million Baht (roughly \$5.2 million) within ninety days.

As noted above, the BOI recently announced revisions to its investment promotion scheme that will come into effect on August 1, 2000. (Applications for promotion submitted before that date are eligible for existing incentives.) Elements of the new promotion policy include the following:

- For projects in the manufacturing sector, majority or total foreign ownership is permitted in any zone.
- The maximum allowable debt-to-equity ratio will be reduced from 4:1 to 3:1.
- Except for the electronic and agriculture industries, projects investing less than 500 million Baht (approx. \$12.8 million) must produce added value equal to at least 30 percent of sales revenue.
- For projects of more than 500 million (approx. \$12.8 million), a feasibility study must be presented at the time of application.
- The BOI will continue to promote relocation of projects to Zone 2 and Zone 3. However, in order to be eligible for new incentives, projects must relocate to an industrial estate.
- Due to increased levels of development, the provinces of Phuket and Rayong have been moved into Investment Promotion Zone 2, which offers a three-year income tax holiday for promoted projects, unless projects are located in an industrial estate, in which case they receive a five-year income tax holiday.
- Projects submitted prior to December 30, 2004, that locate in Zone 2 industrial estates approved by the BOI prior to the date of this announcement can enjoy a seven-year income tax

holiday. After that date the income tax holiday will be five years in line with the new policy announcement.

-- The 58 provinces of Zone 3 will be divided into two areas, based on each province's stage of development. New projects in Zone 3 will no longer be eligible for a 75 percent reduction of import duty on raw materials used for domestic sales.

-- More developed provinces (40):

Inside Industrial Estates -- For projects submitted prior to December 30, 2004, that locate in industrial estates that were approved by BOI prior to the date of this announcement, there will be no change from the current Zone 3 incentive scheme. Projects submitted after December 30, 2004, will no longer be eligible to receive 25 percent reduction of the project's infrastructure costs from net profits.

Outside Industrial Estates -- New projects will receive an eight-year income tax holiday, with no additional income tax reduction, and a 25 percent reduction of the project's infrastructure costs from net profits.

-- Less developed provinces (18):

There will be no change from the current Zone 3 incentive scheme for new projects in the less developed provinces. These provinces are: Sisaket, Nong Bua Lamphu, Surin, Yasothorn, Maha Sarakham, Nakhon Phanom, Roi-Et, Kalasin, Sakon Nakhon, Buri Ram and Amnat Charoen (all in the Northeast); Phrae, Phayao and Nan (in the North); and Satun, Pattani, Yala and Narathiwat (in the South).

Complete information on BOI policies, programs, incentives and application procedures can be found on the BOI website at www.boi.go.th.

A.6. Right to Private Ownership and Establishment

Private entities may establish and own business enterprises. The principal forms of business organization under Thai law are sole proprietorships, partnerships, limited companies, and public limited companies. In addition, branches of foreign corporations are recognized, and a "representative" or "liaison" office of a foreign company may receive special recognition. Irrespective of the form of the business entity, most businesses must apply for business registration. Establishment of a business in certain sectors by a foreign entity may be restricted by the Alien Business Law, or may not benefit from the Treaty of Amity as discussed above.

A Thai private limited company is similar to a corporation in the United States, and may be wholly owned by a foreigner unless the corporation is involved in a business activity reserved for Thai nationals. A public limited company is allowed to offer its shares to the public. Eight laws pertaining to individual industries limit foreign ownership of companies listed on the Stock Exchange of Thailand.

A.7. Protection of Property Rights

Rights in property are guaranteed by the Constitution against condemnation or nationalization without a fair compensation. Secured interest in property are recognized and enforced.

Thailand has a civil law system under which all laws are embodied in statutes or codes promulgated by the Government. This is in contrast to the common law system in many Western countries, where decisions by the courts, that interpret statutes, serve as governing legal precedent.

There is an independent judiciary that provides a forum for fair settlement of disputes. A great deal of status is attached to being a judge, and the examinations to enter the judiciary are very difficult. The judiciary jealously guards its independence.

Agencies of the government, as parties to commercial contracts, may be sued in the courts, and cannot raise a defense of sovereign immunity. However, state property is not subject to execution.

There are four basic codes: Civil and Commercial Code, Criminal Code, Civil Procedure Code, and Criminal Procedure Code. In adopting these codes early in this century, Thailand selected features of the two western legal systems (common law and civil law), and adapted to circumstances in Thailand provisions drawn from England, Germany, Switzerland, France, Japan, Italy, India and other foreign systems. Decisions and rulings of the judiciary and civil service can have considerable force as precedents.

There are three levels to the judicial system in Thailand: the Court of First Instance, which handles most matters at inception, the Court of Appeals and the Supreme Court. There are specialized courts such as the Labor Court, Family Court, Tax Court and the recently established Intellectual Property and International Trade Court and Bankruptcy Court.

Intellectual Property Protection

The Thai Government's administrative and judicial intellectual property rights (IPR) posture improved markedly during 1998 and 1999. Enforcement also improved, with the first sustained program of raids on pirate optical media producers. This has not stemmed the rising tide of piracy, however, and further improvements in on-the-street enforcement are needed. Trademark piracy is a burgeoning problem, and exports of pirated materials are growing.

Although the IPR Court (established 1997) itself is functioning quite efficiently, the process of bringing cases to trial is slow. There are problems of substitution of insignificant for influential defendants and loss of evidence from purportedly secure custody.

The Thai Government's trademark application procedure was streamlined in 1998. Defending trademarks in Thailand is often a time consuming and expensive legal process, but the legal process in place and operates with integrity.

Amendments to the Thai Patent Law came into force during 1999, and the community of rights holders is satisfied with the new provisions, on the whole. However, there is concern among pharmaceutical manufacturers that the Thai government may invoke provisions permitting compulsory licensing.

A.8. Transparency of the Regulatory System

Thailand recently enacted a new Trade Competition Act intended to strengthen the government's ability to regulate price fixing and market monopolies. The new law establishes a Trade Competition Commission with the authority to place limitations on market share and revenues of firms with substantial control of individual market sectors, to block mergers and other forms of business combinations and to levy fines for price fixing and other proscribed activities. The government continues to have the authority to control the price of specific products under the recently revised Goods and Services Price Act of 1999. In practice, very few commodities are subject to formal price controls. However, the government does use its control of major suppliers of products and services such as Thai Airways and PTT (Oil and gas) to influence prices in the market.

Thailand has extensive legislation aimed at the protection of the environment including the National Environmental Quality Act, the Hazardous Substances Act and the Factories Act. Food purity and drug efficacy are controlled and regulated by a Food and Drug administration with authority similar to its U.S. counterpart. Likewise, labor and employment standards are set and regulated by the Ministry of Labor.

Despite the good intentions of most regulatory regimes, consistent and predictable enforcement of government regulations remains an obstacle to investment in Thailand. Gratuity payment to civil servants responsible for regulatory oversight and enforcement unfortunately remains a common practice. Through such payments, regulations can often be by-passed or ignored and approval processes expedited. Firms that refuse to make such payments can be placed at a competitive disadvantage when compared to other firms in the same field. However, most observers believe that the overall trend in this respect is positive.

A.9. Efficient Capital Markets and Portfolio Investment.

The Thai government maintains a regulatory framework that broadly encourages investment and largely avoids market-distorting support for specific sectors. Government policies do not restrict the free flow of financial resources to support product and factor markets, and credit is generally allocated on market terms rather than by "directed lending." Legal, regulatory and accounting systems are largely transparent. The Thai government has devoted considerable effort to bringing these systems into line with international norms, and significant progress has been made. However, much remains to be done to implement legal and regulatory changes and human resources constraints will limit overall progress in some areas, particularly auditing, for the foreseeable future.

Foreign investors are not restricted from borrowing on the local market, but there are a number of regulations that impact foreign portfolio investment. Thailand maintains regulatory maximum foreign ownership limits, and shares of listed companies are traded on both a domestic and alien (or foreign) board to enable authorities to track foreign ownership. Limits on foreign ownership of Thai companies are perhaps most prominent in the financial sector. Even so, foreign investors may now hold greater than 49 percent (up to 100%) of the shares of Thai financial institutions

for a period of ten years, and limits on foreign ownership are generally being relaxed as Thailand liberalizes in an effort to attract additional foreign investment.

In theory, the private sector has access to a wide variety of credit instruments, ranging from fixed term lending to overdraft protection to bills of exchange and bonds. In fact, however, private debt markets are not well developed, and most corporate financing, whether for short-term working capital needs, trade financing or project financing, is commercial bank/finance company borrowing.

Access to credit is a major issue in the aftermath of the financial crisis that began in Thailand in mid-1997. Insolvency led the Thai government to close 56 finance companies in December 1997 and nationalize 6 banks. The uncertain economic outlook and a portfolio of non-performing loans that would reach 47 percent of total loans by mid-1999 has led banks to approach new lending extremely cautiously. Despite the government's successful efforts to bring down interest rates and stimulate economic growth, lending has still not picked up. Total commercial bank credits (as of April 2000) are 4.7 percent below their level of a year earlier (although excluding offshore facilities, credits are virtually even year-on-year).

Restoring the health of the banking system is a major government focus. On August 14, 1998, the Bank of Thailand and Ministry of Finance announced a major program to assist financial institutions to recapitalize. Under the program, the Ministry of Finance will provide recapitalization assistance if financial institutions meet certain conditions, which would ensure that banks raised capital on their own and that existing shareholders would bear losses on the existing portfolio and which would reward new lending and corporate debt restructuring. The scheme has attracted only moderate usage, because of its strict conditions, but financial institutions in general have been relatively successful in raising capital on their own. Since January 1998, private commercial banks have raised on the market over Bt394 billion (over \$10 billion at today's rates), and finance companies have raised nearly Bt51 billion (\$1.3 billion). Financial institutions are required to meet gradually increasing provisioning requirements through end-2000. The Bank of Thailand states that all private commercial banks now have adequate capital to meet requirements through the end of June 2000, and financial institutions must agree with the Bank of Thailand on how they will meet end-2000 provisioning requirements by July 31, 2000.

The financial sector has also undergone significant restructuring in the aftermath of the crisis. In addition to the 56 finance companies closed in 1997, the government has also intervened and taken over seven commercial banks, which have now been recapitalized through the conversions of debt held by the Bank of Thailand's Financial Institutions Development Fund into equity. One of these banks was closed, two were merged with other financial institutions, and two have been privatized, with two more scheduled for sale.

The overall health of the banking sector is affected by the high levels of non-performing loans (NPLs) banks are carrying on their books. NPLs reached 47 percent of total lending in May 1999 and have slowly retreated since then to stand at 35 percent in May 2000. NPLs will come down with debt restructuring, but progress has been painstakingly slow. However, as NPL levels fall, banks' provisioning requirements will also fall and thus benefit bottom lines in the sector.

Thai firms appear to employ few defenses against foreign investment, especially through cross- and stable-shareholding arrangements. Furthermore, defenses against hostile takeovers would typically be applied against all potential investors rather than against foreign potential investors alone. Companies are not forbidden from specifying limits on foreign ownership more strict than those established by the government, but the practice is not considered prevalent. In the current environment, limits on foreign ownership and participation in the Thai economy have eased, a trend that should continue.

A.10. Political Violence

In recent years Thailand has developed a much more stable and transparent political system, although in the past there were frequent changes in government, often by military intervention. The last coup was in 1991, followed in 1992 by political unrest and a confrontation in the streets of Bangkok in which over fifty civilian demonstrators were killed. The "May 1992 events" were a real shock to the Thai political system and stimulated a remarkable democratic recovery. Since 1992, the military has not interfered in the operation of the civilian government, and this appears likely to remain the case for the foreseeable future. There have been three successful elections (1992, 1995 and 1996) and a change of government in 1997 since then. A non-partisan assembly rewrote the nation's constitution, which was put into force in October 1997. One of the main reforms of the new constitution is expected to be less vote buying by candidates for the national parliament. General elections under the new constitution have yet to take place but are due by January 2001.

A.11 Corruption

Thailand has laws to combat corruption. The independent National Counter Corruption Commission coordinates official efforts against corruption. American executives with long experience in Thailand advise new-to-market companies that it is far easier to avoid getting started with corrupt transactions than to stop such practices once a company has been identified as willing to operate in this fashion. American firms that operate under the strict guidelines of the Foreign Corrupt Practices Act are able to compete successfully in Thailand.

Despite some recent improvements, both foreign and Thai companies continue to complain about irregularities in the Thai Customs Service. Recent Thai administrations have stated publicly their intention to improve transparency in the evaluation of bids and the awarding of contracts. Increasing media scrutiny of public figures has raised political pressure to curtail favoritism and corruption. Nonetheless, the press features frequent allegations of irregularities in public contracts, most notably over the use of public lands, as well as charges of favoritism, e.g., revising requirements so that a preferred company wins over its competitors.

In its 1999 ranking of corrupt practices, Transparency International placed Thailand at 68, near Bulgaria, Egypt, Ghana, Romania, Guatemala and Nicaragua, out of a total of 99 countries ranked in its corruption perception index (the higher the number, the worse the corruption). According to some studies, a cultural propensity to forgive bribes as a normal part of doing

business and to equate cash payments with finders' fees or consultants' charges, coupled with the low salaries of civil servants, encourages officials to accept illegal inducements.

B. Bilateral Investment Agreements

The U.S.-Thai Treaty of Amity and Economic Relations of 1966, discussed above, allows U.S. citizens and businesses incorporated in the U.S. or in Thailand that are majority owned by U.S. citizens to engage in business on the same basis as Thais, exempting them from most of the restrictions on foreign investment imposed by the Alien Business decree of 1972. Under the Treaty, Thailand is permitted to apply restrictions to American investment only in the fields of communications, transport, banking, the exploitation of land or other natural resources, and domestic trade in agricultural products.

Thailand also has bilateral investment agreements with 25 countries, such as Germany, the Netherlands, the United Kingdom and China, and ASEAN countries. These agreements establish guidelines for expropriation compensation and the repatriation of capital, but do not include national treatment provisions.

C. OPIC and Other Investment Insurance Programs

OPIC is very much open for new business in Thailand. The agency is currently involved with several power generation projects being developed as part of the Thai government's Independent Power Producer Scheme. Thailand has applied for membership in the Multilateral Investment Guarantee Agency (MIGA). The necessary legislation has been passed, and full membership procedures should be completed by the end of 2000.

D. Labor

The Thai government projects a labor force in 2000 of 33.06 million workers out of a population of 62.7 million. This figure includes all Thais thirteen years of age and older who are actively seeking work. Unemployment showed little improvement over the last year. A government Labor Force Survey completed in February 2000 estimated unemployment at 4.3 percent, compared to 4.2 in 1999, but unemployment was probably overestimated because the survey was conducted during a lull in the agricultural season.

Despite rapid growth in the industrial and service sectors, this Labor Force Survey estimates that 39.8 percent of those employed are still engaged in agriculture. However, the shift of workers from the agricultural sector is continuing, especially in the Northeast where agricultural productivity and investment is lower. As a consequence, recent years have seen a constant flow of rural, generally unskilled Thais seeking work in Bangkok and the more industrialized regions, both seasonally and on a permanent basis. This ready availability of migrant labor has contributed to Thailand's rapid industrial growth, particularly in the light manufacturing and construction sectors.

The economic downturn stemmed shortages in the labor market of workers with at least a secondary education. As Thailand's economy recovers, however, it is likely that highly skilled and experienced engineers, technicians and managers will again be in short supply. In the past, many multinational firms brought in expatriate professionals because qualified local personnel simply were not available, even at high salaries. Finding, training, and retaining qualified employees to work in the manufacturing facilities being developed in industrial estates, such as those along the Eastern Seaboard, will continue to be a challenging government priority in the near term.

Thailand's education system is still geared toward the needs of a largely agrarian, traditional economy and society and lags behind the country's contemporary skills requirements. The government has made great progress over the last two decades in providing basic education. Thailand's gross primary school enrollment in 1999 was 97.5 percent, and the adult literacy rate in 1999 was 94 percent, one of the best in the region. However, compulsory education, according to Primary Education Act, is required only through grade six. A new National Education Act (effective August 1999) ensured the right of all Thai citizens to receive free basic public education for not less than 12 years and raised the compulsory education level to 9 years. The government is now drafting amendments to the Primary Education Act so that these requirements will be codified in the National Education Law. In 1999, Thailand had around 300,000 students enrolled in public and private colleges and universities. Over 15,000 Thai students are currently studying in the United States.

All employers must define the terms of employment for their staff, and employers with ten or more employees are required to specify working regulations. A new labor law enacted in late 1998 brought labor practices more in line with ILO standards. The law cut the work week to a maximum of forty-eight hours including overtime for all types of work, with overtime payable at one and one-half times the hourly rate. Hazardous work may not exceed seven hours per day or forty hours per week. All employees are entitled to a vacation of six workdays a year, in addition to thirteen holidays traditionally observed in Thailand. Under the labor law the employment of children under the age of fifteen is prohibited, and there are restrictions on the employment of children and youths through the age of eighteen.

Thailand's "social safety net" is considered inadequate by Western standards. The social security system consists of two systems. The Workmen's Compensation Act of 1994 requires employers with ten or more employees to contribute yearly 0.2-1.0 percent of the employee's earnings to the Workmen's Compensation Fund. The Fund provides benefits to employees who are injured, sick, disabled or die from work related injury. The Social Security Act has been in effect since 1990. This Act covers enterprises with ten or more employees. Contributions to the Social Security Fund from the government, the employer, and the employee are mandated. The Social Security Fund provides compensation to insured workers under six categories: injury or sickness, child delivery, crippling injury, death, child welfare, and old age. In the first four categories, each party contributes 1.5 percent of the wages of the insured. For child welfare and old age cases three percent is contributed. Currently, the Social Security Fund does not cover unemployment compensation. Application of unemployment coverage depends on the state of economy of the country.

The labor relations climate in Thailand is generally peaceful with strikes relatively infrequent. Less than 2 percent of the total labor force is unionized; about 10 percent of the industrial work force is organized. The year 2000 marked the successful restoration of the union rights of state enterprise workers which had been abolished after a military coup in 1991. The State Enterprise Labor Relations Act (SELRA) was reaffirmed by the Thai Parliament and became law on April 8, 2000. State enterprise labor unions are now going through a process of re-certification and electing new union leaders. The passage of SELRA may conclude review of a 1992 petition filed by the AFL-CIO, which has put Thailand's GSP privileges under yearly review for denial of union rights.

E. Foreign Trade Zones/Free Ports

Thailand has eleven export processing zones to which businesses may import raw materials and export finished products free of duty. These eleven export processing zones are located within industrial estates and many have customs facilities to speed processing. In addition to these zones, factories may apply for permission to establish a bonded warehouse within their premises to which raw materials, used exclusively in the production of products for export, may be imported duty free.

The Industrial Estate Authority of Thailand (IEAT) established the first industrial estates in Thailand, including the major industrial estates of Laem Chabang Industrial Estate in Chonburi Province and Map Ta Phut Industrial Estate in Rayong Province. More recently, private developers have become heavily involved in the business. According to BOI statistics, there are presently 37 industrial estates in Thailand. The IEAT operates seven estates, plus fifteen more jointly with the private sector. The remainder are operated by private sector developers. Most estates have received promotional privileges from the Board of Investment.

F. Foreign Direct Investment Statistics

Net foreign direct investment (FDI) including inflows for bank re-capitalization totaled \$3.6 billion in 1999, compared to \$5.1 billion in 1998 and \$3.7 billion in 1997. The year-on-year increase in 1998 in large measure reflects significant inflows for bank re-capitalization as well as debt-equity swaps and acquisition of new equity by Japanese and European firms rather than investment in new productive capacity. There are no reliable local statistics for cumulative investment by country of origin. The Embassy estimates the total present value U.S. investment in Thailand to be in excess of \$16 billion.

Table 1.
Net Flows of Foreign Investment
By Country of Origin in \$ millions

	CY1998	CY1999
Japan	1,449	490
U.S.A.	1,058	614

Canada	3	3
Hong Kong	440	224
Taiwan	98	116
Switzerland	78	60
Australia	45	13
South Korea	85	5
China	5	-2
ASEAN:	571	510
Singapore	543	478
Malaysia	17	28
Indonesia	3	1
Philippines	8	3
EU:	869	1,464
U.K.	108	170
Germany	91	269
France	193	359
Netherlands	391	649
Belgium	33	8
TOTAL	5,073	3,557

Source: Bank of Thailand

Table 2
Net Foreign Direct Investment in \$ Millions
By Sectors

		CY1998	CY1999
1. Financial Institutions	856	244	
2. Trade	973	1,174	
3. Construction	143	-155	
4. Mining & Quarrying	18	-42	
5. Agriculture	1	2	
6. Industry	2,246	1,150	
6.1 Food & Sugar	78	91	
6.2 Textiles	114	18	
6.3 Metal & Non-Metallic	356	200	
6.4 Electrical Appliances	273	413	
6.5 Machinery & Transport Equipment	683	388	
6.6 Chemicals	236	3	
6.7 Petroleum Products	326	8	
6.8 Construction Materials	22	23	
6.9 Others	158	173	
7. Services	275	479	
8. Real Estate	26	149	
9. Others	536	555	

TOTAL FDI 5,073 3,557
Source: Bank of Thailand

Table 3
Thai Net Direct Investment Abroad
In \$ Millions

	CY1998	CY1999
	-124	-352

Source: Bank of Thailand

Table 4
Portfolio Investment Flows
In \$ Millions

	CY1998	CY1999
TOTAL		
Equity Securities	265	882
Debt Securities	157	-69

Source: Bank of Thailand

Table 5
Foreign Investment through Board of Investment by Number and Value in \$ Millions
By Country of Origin

	CY1998		CY1999	
	Number	Value	Number	Value
Applications Approved				
Japan	158	1,308	188	715
U.S.A	62	451	53	1,225
Canada	9	64	3	687
Asian NIEs				
Taiwan	69	242	86	209
Hong Kong	16	122	25	50
Korea	13	44	19	26
Singapore	49	257	52	185
China	2	2	7	15
Malaysia	21	100	27	90
Indonesia	2	12	5	30
Philippines	0	0	1	2
India	10	246	6	36
EU	123	3,247	83	899
UK	33	759	17	104
Germany	22	208	12	49

Switzerland	11	37	10	84
France	12	4	11	75
Belgium	8	23	7	23
Italy	4	19	3	3
Netherlands	22	2,129	18	594
Australia	13	67	10	31
TOTAL	485	6,166	517	3,596

Source: Board of Investment

Table 6
Start Up Operations

	CY1998		CY1999	
	Number	Value	Number	Value
Japan	229	1,968	177	2,351
U.S.A	30	525	21	270
Canada	3	2	0	0
Asian NIEs				
Taiwan	34	228	27	79
Hong Kong	6	14	10	20
Korea	11	58	11	91
Singapore	28	242	36	193
China	1	3	1	4
Malaysia	16	90	11	28
Indonesia	1	6	1	2
Philippines	0	0	1	2
India	0	0	2	3
EU	51	496	58	662
UK	16	173	12	54
Germany	6	103	16	52
Switzerland	9	28	2	2
France	2	8	4	59
Belgium	2	10	3	2
Italy	1	1	0	0
Netherlands	9	132	12	110
Australia	12	99	8	202
TOTAL	403	4,659	346	3,831

Source: Board of Investment

This report was prepared by the Economic Section (U.S. Department of State) at U.S. Embassy Bangkok. For further information, contact the Economic Section at tel.: (66) (2) 205-4995, fax: (66) (2) 254-2839.

Intellectual Property Protection

The Thai Government's administrative and judicial intellectual property rights (IPR) posture improved markedly during 1998 and 1999. Enforcement also improved, with the first sustained program of raids on pirate optical media producers. This has not stemmed the rising tide of piracy, however, and further improvements in on-the-street enforcement are needed. Trademark piracy is a burgeoning problem, and exports of pirated materials are growing.

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Amendments to the Thai Patent Law came into force during 1999, and the community of rights holders is satisfied with the new provisions, on the whole. However, there is concern among pharmaceutical manufacturers that the Thai government may invoke provisions permitting compulsory licensing.

Despite the passage of significant IPR legislation and a good working relationship between foreign business entities and the Thai Department of Intellectual Property, intellectual property rights continues to be one of the leading trade issues between the United States and Thailand. Since November 1994, Thailand has been on the special 301 "watch list." An Intellectual Property and International Trade Court began operations in December 1997. Enforcement remains a problem, as large quantities of illicit goods continue to be sold at the retail level. Allegations of irregularities continue to undermine confidence in the police.

American firms are advised to focus early on intellectual property protection as a key element of their market entry and development strategy. U.S. firms should make certain that their intellectual property is eligible for protection in Thailand through the registration of appropriate patents, trademarks and copyrights as well as verifying possible protection available through international treaties such as the Berne Convention. Law firms in Thailand specializing in intellectual property law can initiate legal actions to combat piracy. However, this can be a lengthy and costly process.

TRANSPARENCY OF THE REGULATORY SYSTEM

In the past year, the Government of Thailand has enacted a new Trade Competition Act intended to strengthen the government's ability to regulate price fixing and market monopolies. The new law establishes a Trade Competition Commission with the authority to place limitations on market share and revenues of firms with substantial control of individual market sectors, to block mergers and other forms of business combinations and to levy fines for price fixing and other proscribed activities. The government continues to have the authority to control the price of specific products under the newly revised Goods and Services Price Act of 1999. In practice,

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EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENTS

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December 1997 and nationalize six banks. The cloudy economic outlook and a portfolio of non-performing loans that would reach 40 percent of total loans by mid-1999 have led banks to approach new lending extremely cautiously. Despite the government's successful efforts to stabilize the economy and bring down interest rates, lending has still not picked up. Total commercial bank credits (as of April 1999) are 4 percent below their level of a year earlier (although excluding offshore facilities, credits are 3 percent higher year-on-year).

Restoring the health of the banking system is a major government focus. On August 14, 1998, the Bank of Thailand and Ministry of Finance announced a major program to assist financial institutions to recapitalize. Under the program, the Ministry of Finance will provide recapitalization assistance if financial institutions met certain conditions, which would ensure that banks raised capital on their own and that existing shareholders would bear losses on the existing portfolio (tier one) and reward new lending and corporate debt restructuring (tier two). As of mid-1999, two financial institutions have received tier one assistance under the scheme. The government's program aside, financial institutions in general have been relatively successful in raising capital on their own. Since January 1998, private commercial banks have raised on the market over Bt250 billion (nearly \$7 billion at today's rates), and finance companies have raised nearly Bt20 billion (\$540 million). Financial institutions are required to meet gradually increasing provisioning requirements through end-2000. The Bank of Thailand states that all private commercial banks (with one exception) now have adequate capital to meet requirements through the end of June 1999, and financial institutions must agree with the Bank of Thailand on how they will meet end-1999 provisioning requirements by July 31, 1999.

The financial sector has also undergone significant restructuring in the aftermath of the crisis. In addition to the 56 finance companies closed in 1997, the government has also intervened and taken over six commercial banks, which have now been recapitalized through the conversions of debt held by the Bank of Thailand's Financial Institutions Development Fund into equity. One of these banks will be closed, two will be merged with other financial institutions, and three will be privatized (targeted for completion this year).

The overall health of the banking sector is affected by the high levels of non-performing loans (NPLs) banks are carrying on their books. NPLs reached 47 percent of total lending in March and may peak by June. NPLs will come down with debt restructuring, but progress has been painstakingly slow. However, as NPL levels fall, banks' provisioning requirements will also fall and thus benefit bottom lines in the sector.

Thai firms appear to employ few defenses against foreign investment, especially through cross- and stable-shareholding arrangements. Furthermore, defenses against hostile takeovers would typically be applied against all potential investors rather than against foreign potential investors alone. Companies are not forbidden from specifying limits on foreign ownership more strict than those established by the government, but the practice is not considered prevalent. In the current environment, limits on foreign ownership and participation in the Thai economy have eased, a trend that should continue.

POLITICAL TURMOIL

Thailand has a history of frequent changes in government, often by military intervention. The last coup was in 1991, followed in 1992 by political unrest and a confrontation in the streets of Bangkok in which over 50 civilian demonstrators were killed. The “May events” were a real shock to the Thai political system and seemed to have stimulated a remarkable democratic recovery. The determination of the growing middle class to see democratic institutions strengthened has been reinforced since then. There have been three successful elections (1992, 1995 and 1996) and a change of government in 1997 since then. A non-partisan assembly rewrote the nation’s constitution, which was put into force in October 1997. One of the main reforms of the new constitution is expected to be less vote buying by candidates for the national parliament. National elections under the new constitution have yet to take place

CORRUPTION

Thailand has laws to combat corruption. The Commission of Counter Corruption, part of the Prime Minister's office, coordinates official efforts against corruption. American executives with long experience in Thailand advise new-to-market companies that it is far easier to avoid getting started with corrupt transactions than to stop such practices once a company has been identified as willing to operate in this fashion. American firms that operate under the strict guidelines of the Foreign Corrupt Practices Act are able to compete successfully in Thailand.

Despite some recent improvements, both foreign and Thai companies continue to complain about irregularities in the Thai Customs Service. Recent Thai administrations have stated publicly their intention to improve transparency in the evaluation of bids and the awarding of contracts. Increasing media scrutiny of public figures has raised political pressure to curtail favoritism and corruption. Nonetheless, the press features frequent allegations of irregularities in public contracts, most notably over the use of public lands, as well as charges of favoritism, e.g., revising requirements so that a preferred company wins over its competitors.

In its 1998 ranking of corrupt practices, Transparency International, placed Thailand along with Nicaragua, Romania, Yugoslavia and Argentina in rank 61 out of a total of 85 ranks on its corruption perception index (the higher the number, the worse the corruption). According to some studies, a cultural propensity to forgive bribes as a normal part of doing business and to equate cash payments with finders fees or consultants' charges, coupled with the low salaries of civil servants, encourages officials to accept illegal inducements.

BILATERAL INVESTMENT AGREEMENTS

The U.S.-Thai Treaty of Amity and Economic Relations of 1966, discussed above, allows U.S. citizens and businesses incorporated in the U.S. or in Thailand that are majority owned by U.S. citizens to engage in business on the same basis as Thais, exempting them from most of the restrictions on foreign investment imposed by the Alien Business decree of 1972. Under the Treaty, Thailand is permitted to apply restrictions to American investment only in the fields of communications, transport, banking, the exploitation of land or other natural resources, and domestic trade in agricultural products.

Thailand also has bilateral investment agreements with 25 countries, such as Germany, the Netherlands, the United Kingdom and China, and ASEAN countries. These agreements establish guidelines for expropriation compensation and the repatriation of capital, but do not include national treatment provisions.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The Overseas Private Investment Corporation (OPIC) is an U.S. Government agency that encourages U.S. businesses to invest in developing countries and emerging democracies by protecting and facilitating U.S. private investment in those nations. Currently, OPIC programs are available for new and expanding business enterprises in some 140 countries and areas worldwide.

OPIC assist American investors through four principal activities designed to promote overseas investment and reduce the associated risks:

- financing of business through loans and loans guaranties;
- supporting private investment funds which provide equity for U.S. companies investing in projects overseas;
- insuring investments against political risks; and
- engaging in outreach activities designed to form the American community of investment opportunities overseas.

OPIC assistance is available for new investments, privatizations, and for expansions and modernization of existing plants sponsored by U.S. investors. Acquisitions of existing operations are eligible if the investor is insurable by OPIC. Neither financing nor insurance will normally be available for investments in enterprises that are majority owned and controlled by a foreign government. Financing is not available for projects that can secure adequate financing from commercial sources.

Investments by OPIC clients may take many forms, including:

- conventional equity investments and loans;
- construction and service contracts;
- production sharing agreements;
- leases;
- various contractual arrangements such as consigned inventory, licensing, financing, and technical assistance agreements; and
- other special agreements that investors may devise.

OPIC is very much open for new business in Thailand. The agency is currently involved with several power generation projects being developed as part of the Thai government's Independent Power Producer Scheme. For example, OPIC is currently helping U.S. firms build a 700 megawatt gas-powered plant by underwriting \$185.7 in political risk insurance that covers for the first time interest rate swaps. Edison Mission Energy and Texaco are the equity investors in the project. Citibank and Bank of America are providing financing.

Thailand has applied for membership in the Multilateral Investment Guarantee Agency (MIGA). Its membership will become effective after parliamentary consent, expected by the end of 1999.

FOREIGN TRADE ZONES AND FREE PORTS

Thailand has ten export processing zones in which businesses may import raw materials and export finished products free of duty. In addition to these zones, any factory may apply for permission to establish a bonded warehouse within the factory to which raw materials, used exclusively in the production of products for export, may be imported duty free.

The Industrial Estate Authority of Thailand (IEAT) was responsible for the establishment of the first industrial estates in Thailand, including the major industrial estates of Laem Chabang Industrial Estate in Chonburi Province and Map Ta Phut Industrial Estate in Rayong Province. More recently, private developers have become involved in this business. The IEAT operates 9 estates, plus 22 more jointly with the private sector. There are 47 industrial estates operated by private sector developers. Most of these have received promotional privileges from the Board of Investment.

LIST OF HOST COUNTRY CONTACT INFORMATION FOR INVESTMENT RELATED INQUIRIES

1. Ministry of Industry (MOI)
Rama VI Road
Bangkok 10400
Tel: 662-202-3000
Fax: 662-202-3048
2. Industrial Estate Authority of Thailand (IEAT)
618 Nikhom Makkasan Road
Makkasan, Rajthevee
Bangkok 10400
Tel: 662-253-0561
Fax: 662-253-4086, 253-2965
3. Thai Industrial Standards Institute (TISI)
TISI Building
Ministry of Industry
Rama VI Road, Rajthevee
Bangkok 10400
Tel: 662-202-3426/9
Fax: 662-202-3415, 248-7981, 245-6115
4. The National Economic and Social Development Board (NESDB)
962 Krung Kasem Road, Pomprab

Bangkok 10100
Tel: 662-280-4085, 282-4840/2
Fax:662-280-0892

5. The Department of Foreign Trade (DFT)
Ministry of Commerce
Sanamchai Road
Bangkok 10200
Tel: 662-225-1315/29
Fax:662-224-7269
6. Board of Investment (BOI)
Office of the Board of Investment
555 Vipavadee-Rangsit Road, Chatuchak
Bangkok 10900
Tel: 662-537-8111/8555
Fax:662-537-8177
Web: www.boi.go.th
E-mail: head@boi.go.th
7. Office of the Economic Counselor (Investment)
Thailand Board of Investment
Five World Trade Center, Suite #3443
New York, NY 10048
Tel: 212-466-1745/6
Fax:212-466/9548
E-mail: nyc@boi.go.th
8. The Department of Business Economics
Ministry of Commerce
Ratchadamnoenklang Road
Bangkok 10200
Tel: 662-282-6171/9
Fax:662-280-0826
9. The Board of Trade of Thailand
150/2 Rajabopit Road
Bangkok 10200
Tel: 662-221-0555, 221-1827
Fax:662-225-3995
E-mail: bot@bkk.a-net.net.th
10. The Federation of Thai Industries (FTI)
Queen Sirikit National Convention Center
Zone C, 4th Floor
60 New Ratchadapisek Road, Klongtoey

Bangkok 10110
 Tel: 662-229-4255
 Fax: 662-229-4941/2, 229-4057
 Web: www.fti.or.th
 E-mail: info@fti.or.th

11. Export-Import Bank of Thailand
 Exim Building
 1193 Phaholyothin Road, Phyathai
 Bangkok 10400
 Tel: 662-278-0047, 271-3700
 Fax: 662-271-3029, 271-3204
 E-mail: pr@exim.go.th

12. The Industrial Finance Corporation of Thailand (IFCT)
 1770 New Petchburi Road
 Bangkok 10320
 Tel: 662-253-7111, 253-9666
 Fax: 662-253-9677, 254-8098
 E-mail: secretar@ksc.th.com

13. The Commercial Service
 American Embassy, Bangkok
 3rd Floor, Room No. 304
 Diethelm Tower A, Wireless Road
 Lumpini, Pathumwan
 Bangkok 10330
 Tel: 662-205-5090
 Fax: 662-255-2915
 E-mail: obangkok@mail.doc.gov

CHAPTER VIII. TRADE AND PROJECT FINANCING

THE BANKING SYSTEM

There are currently 34 commercial banks in Thailand -- 13 domestic and 21 fully licensed foreign banks. Three American banks maintain full branches here: Bank of America N.T. & S.A., The Chase Manhattan Bank, N.A. and Citibank, N.A. Among these 21 fully licensed foreign banks, 18 banks obtained IBF licenses to operate offshore banking units under the Bangkok International Banking Facilities (BIBFs). There are also 17 other foreign banks having only IBF licenses, including 3 American Banks: American Express Bank, Bank of New York and Bankers Trust.

Leading Local Banks in Thailand

<u>Bank Name</u>	<u>No. of Local Branches & Sub-Branches</u>	<u>Branches Abroad</u>
1. Krung Thai Bank	643	8
2. Thai Farmers Bank	533	9
3. Bangkok Bank Plc.	526	16
4. The Siam Commercial Bank	496	5
5. Bank of Ayudhaya	418	3
6. The Thai Military Bank	361	4

At the end of 1999, total assets of the banking system totaled Baht 6,190 billion (US\$ \$162.89 billion), 3.5% decrease from the end of 1998's Baht 6,415 billion (US\$ \$168.83 billion). Thai banks hold Baht 5,424 billion (US\$ 142.74 billion), or 87.63 percent of those assets.

The public financial sector includes several "specialized" government banks, namely the Government Savings Bank for small savings deposits, the Bank for Agriculture and Agricultural Cooperatives for farm credits, the Government Housing bank for middle and low income housing mortgages, the Industrial Finance Corporation of Thailand for industrial development projects, and the Export Import Bank for importers and exporters. Other financial institutions in Thailand include finance companies (24 firms), credit financiers (mortgage lenders - 10 firms), life and non-life insurance companies and several other financial cooperatives.

In the years before the crisis, the Thai financial sector grew rapidly, but it was poorly regulated and mismanaged. However, with the cooperation of the IMF and other multilateral and bilateral donors, the government is now attempting to bring financial sector practices in line with international standards. Accounting, auditing standards, and corporate governance are being upgraded. Also regulatory requirements for listed companies are being strengthened. In the banking sector, the Bank of Thailand, with multilateral and bilateral assistance, is improving its examination and supervision functions, and banks are required to meet BIS capitalization standards. Central bank regulators are reviewing new guidelines on related lending by commercial banks to shareholders, directors or subsidiary companies. The new Financial Institution Act may be passed by the parliament within the third quarter of this year (2000), which will increase the responsibilities of directors and executives for action taken while in office.

In order to facilitate the recapitalization of the financial sector, foreign investors, with sound financial status and potential to increase efficiency in managing financial institutions, are allowed to hold more than 49% of shares in financial institutions for a period of 10 years. After 10 years, foreign investors will not be forced to sell their shares but may not purchase any additional shares, unless the amount of foreign shareholdings is less than 49% of total shares. The additional shares may be acquired to bring foreign shareholdings to 49% of total shares.

In addition, restrictions on the operations of foreign banks have also eased over the years although differences between conditions for foreign banks and domestic banks remain. With the exception of restrictions on branching, remaining restrictions do not significantly hamper operations.

LIST OF BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

A list of banks with correspondent U.S. banking arrangements and a list of U.S. banks operating in Thailand is included in Appendix E of this Country Commercial Guide.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

Exchange controls are governed by the Exchange Control Act of 1942 administered by the Bank of Thailand (central bank). The measures to enhance foreign currency flows and to maintain stability of the Baht were implemented on September 23, 1997. Inward remittances are free of control. To increase foreign currency supply in circulation, any persons receiving foreign currencies are required to sell their foreign currencies to or deposit their foreign currencies with an authorized agent within 7 days from the date of receipt, a change from 15 days previously. Exporters of goods valued exceeding Bt 500,000 (approx. US\$13,157) are required to bring their export proceeds received from foreign buyers into the country immediately after payment is received, but within a maximum of 120 days from the date of export.

Thai nationals are subject to quantitative limits on the amount of foreign currency that can be remitted abroad without specific permission of the Bank of Thailand. The limits vary depending upon the purpose of the transaction and range from \$10 million per annum for business investment or loans to subsidiaries to \$100,000 per recipient for remittances to family members. Thai nationals moving permanently abroad are allowed to transfer a maximum of US\$ 1 million per annum of their money out of the country. Funds transferred out of the country to purchase real estate or securities overseas must be approved by a foreign exchange control officer.

Presently, commercial banks are authorized to undertake most routine foreign remittance transactions without prior approval from the Bank of Thailand.

GENERAL AVAILABILITY OF FINANCING

The financial crisis that began in mid-1997 severely affected the availability of credit in the country. Initial responses to the crisis included significantly higher interest rates and tight liquidity. Interest rates have since fallen with the return of stability to the financial markets, and banks now have significant liquidity.

Local banks and other financial institutions are exercising more caution on new lending due to the fear of creating new non-performing loans. Lending is now much different than in the past, in that most banks are now asking for a definitive business plan from borrowers before approving loans. Fund availability in the local market is relatively high since commercial banks are reluctant to extend more loans as reflected by the declining credit to deposit ratio in the Thai banking system. The ratio had declined from over 140% in early 1998 to only 112% in March 2000.

Local funding costs tended to decline as the ratio of credit-to-deposit was on a downward trend. Another external factor effecting the local interest rate is the US interest rate. Rising US interest rates make USD-denominated assets more attractive, and put a downward pressure on other lower-yielding currencies. As a result, the Thai Baht dropped and more upward pressure was put on the local interest rates, and vice versa.

Direct financing from the public sector is also available and proved to be a success after the crisis, when the interest rate environment was supportive. Government, state enterprises and local companies with good credit standings are able to raise funds through the issuance of debt instruments, i.e. bonds. The general public, therefore, shifted their funds from deposits at financial institutions to investments in other forms of financial instruments, such as corporate debentures, which yielded higher returns.

Besides the local commercial, trade, and corporate financing facilities available from local banks, the Thai government maintains facilities, such as direct packing credit, to ease exporters' access to trade financing. The Thai EXIM Bank, Asian Development Bank, Japanese EXIM Bank, and the U.S. Export Import Bank also have trade financing facilities.

HOW TO FINANCE EXPORTS AND METHODS OF PAYMENT

The majority of U.S. firms exporting to Thailand conduct business on a documentary basis, and use various methods of financing such as letters of credit (L/Cs), bank drafts and wire transfers. New-to-market exporters and infrequent exporters should require confirmed, irrevocable L/Cs when initiating relationships with new importers and distributors. Once the importer has established a good payment record and the U.S. firm is convinced of the importer's trustworthiness, it is advisable to provide more lenient terms. However, in the present economic climate, many exporters are retaining tighter control on payment mechanisms than previously.

EXPORT FINANCING AND INSURANCE AVAILABLE TO U.S. EXPORTERS

The term "Project Finance" refers to the financing of projects that are dependent on the project cash flows for repayment. Successful projects rely on a large number of integrated contractual arrangements as well as the country's legal framework and investment environment. There is a full range of public and private sector financing options for project investors in Thailand. Commercial bank loans are available for investors who can show promising yields in the short-to medium term. Equity market fund raising has also taken off in recent years as the Thai Stock Market has developed.

For certain longer-term projects, where yield is lower or less –predictable, funding is being provided by multilateral institutions such as Asian Development Bank and the World Bank. These types of projects tend to be in the areas of human resources development, the environment, highway construction and rural utilities. Long-term projects can also be funded or supported through OPIC or U.S. Exim Bank project finance programs.

Project “risk insurance” refers to the programs of OPIC and the U.S. Exim Bank to protect companies from losses associated with political risk and other factors in countries with questionable political and economic stability.

U.S. Export-Import Bank (Ex-Im Bank)

The Export-Import Bank (Ex-Im Bank) assists U.S. exporters to compete against foreign government subsidized financing to primarily emerging markets throughout the world, by providing loans, guarantees, and insurance to U.S. exporters. It provides bank guarantees on working capital loans for U.S. exporters or makes loans to foreign purchasers of U.S. goods and services. Eximbank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Worldwide in fiscal year 1999, Ex-Im Bank supported nearly \$17 billion in exports.

Most of the Ex-Im Bank projects in Thailand are associated with the following industries: power, petrochemical, steel, cement, and telecommunication sectors.

Commodity Credit Corporation GSM-102 Export Credit Guarantee Program

In many countries, U.S. Department of Agriculture (USDA) export credit guarantee programs can help make commercial financing available for imports of U.S. food and agricultural products on deferred payment terms. The GSM-102 and GSM-103 programs guarantee payment from approved foreign banks, normally to financial institutions in the U.S. that extend credit to them to finance imports of U.S. agricultural commodities. The reduction of risk to financial institutions in the U.S. may be reflected in lower interest rates and lower financing fees than would be the case without a USDA guarantee, or may make possible financing that would otherwise be unavailable.

Overseas Private Investment Corporation (OPIC)’s Insurance Program

OPIC is an independent, financially self-supporting corporation, fully owned by the U.S. Government. OPIC assists U.S. private investors by providing political risk insurance to U.S. investors, contractors, exporters and financial institutions involved in international transactions. Insurance is available for investments in new ventures or expansions of existing enterprises, and can cover equity investments, parent company and third party loans and loan guarantees, technical assistance agreements, cross-border leases, assigned inventory or equipment, and other forms of investment. Coverage is also available for contractors’ and exporters’ exposures, including unresolved contractual disputes, wrongful calling of bid, performance, advance payment and other guaranties posted in favor of foreign buyers, and other risks.

OPIC insurance can be purchased to cover the following political risks: Currency inconvertibility – the inability to convert profits, debt service and other remittances from local currency into U.S. dollars; Expropriation – the loss of an investment due to expropriation, nationalization or confiscation by a foreign government; Political Violence – the loss of assets or

income due to war, revolution, insurrection or politically motivated civil strife, terrorism and sabotage.

INTERNATIONAL FINANCIAL INSTITUTIONS

The World Bank

The World Bank Group is a multilateral lending organization consisting of five closely related institutions: the International Bank of Reconstruction and Development (IBRD); the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and, the International Centre for Settlement of Investment Disputes (ICSID). The World Bank provides loans to developing countries to help reduce poverty and to finance investments that contribute to economic growth.

The World Bank began lending to Thailand in 1950, a year after the country became a member in 1949. In subsequent years through June 1999, Thailand requested and received approximately US\$8.0 billion in loan and credit assistance for over 130 operations. Bank support has taken many forms, including intense policy dialogue, technical assistance, and knowledge sharing. Currently, the Bank is engaged in 16 operations in the rural development, energy, education, transport, social, and economic/financial sectors, with a total commitment of US\$1.9 billion.

IFC, the Bank's private sector arm, has been involved in the protection of its portfolio companies and the restructuring of non-portfolio companies with good long-term fundamentals. For fiscal year 2000, the volume of the IFCs activities will depend on the pace of corporate restructuring. In addition, as a major component of its recent economic stimulus package, the Government announced that it would give the IFC the mandate to help establish a US\$500 million investment fund for the restructuring and recapitalization of Thai enterprises.

Thailand signed the Multilateral Investment Guarantee Agency (MIGA) convention on October 3, 1996, but it has yet to ratify the convention and subscribe to the initial capital allocation. According to the latest information from the Thai authorities, a draft law is being submitted to the parliament for approval shortly. Because Thailand is not yet a member country, MIGA has not guaranteed any projects in Thailand. However, investors have expressed considerable interest in MIGA guarantees for investment, particularly in the infrastructure sector.

Since the onset of the financial crisis in 1997, the World Bank's assistance to Thailand has focused on three major objectives to restore sustainable and more equitable growth: 1) renewing competitiveness of Thailand's private sector and labor force; 2) improving governance through enhanced private and public sector management, and 3) sharing growth and ensuring quality of life by protecting the vulnerable and targeting the poor and improving environmental management. The Bank supports Government efforts in these areas through a combination of lending, guarantees, technical assistance, and policy advice. Other forms of Bank support include analytical reports, policy notes, a program of international knowledge exchange, and public policy seminars.

A brief description of each group member follows:

The International Bank of Reconstruction and Development (IBRD) provides loans and development assistance to middle-income countries and creditworthy poorer countries. Voting power is linked to members' capital subscriptions, which in turn are based on each country's relative economic strength. The IBRD obtains most of its funds through the sale of bonds in international capital markets.

The International Development Association (IDA) plays a key role in supporting the Bank's poverty reduction mission. IDA assistance is focused on the poorest countries, to which it provides interest-free loans and other services. IDA depends on contributions from its wealthier member countries – including some developing countries – for most of its financial resources.

The International Finance Corporation (IFC) promotes growth in the developing world by financing private sector investments and providing technical assistance and advice to governments and businesses. In partnership with private investors, IFC provides both loan and equity finance for business ventures in developing countries.

The Multilateral Investment Guarantee Agency (MIGA) helps encourage foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risks. MIGA also provides technical assistance to help countries disseminate information on investment opportunities.

The International Centre for Settlement of Investment Disputes (ICSID) provides facilities for the settlement – by conciliation or arbitration – of investment disputes between foreign investors and their host countries.

The World Bank office in Thailand is located at 93/1 Wireless Road, Diethelm Towers, 14th Floor, Tower A, Bangkok 10330, Thailand, Tel: 662-252-2305/7, Fax: 662-256-7795. For further information and assistance contact the Commercial Service Liaison Staff, Office of the U.S. Executive Director, The World Bank, 1818 H Street NW, Washington, D.C. 20433, USA, Tel: 202-458-0118 or 0120, Fax: 202-477-2967. World Bank projects are listed in the NTDB and on the Internet.

The International Monetary Fund (IMF)

The IMF is an international organization of 182 member countries, established to promote international monetary cooperation, exchange rate stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries under adequate safeguards to help ease balance of payments adjustment.

The Executive Board of the International Monetary Fund (IMF) on May 8, 2000 completed the ninth, and final review under Thailand's Stand-By Arrangement, which expired on June 19, 2000. Given the improved balance of payments position, the Thai authorities have not

drawn under the arrangement since June 1999. Noting that the overall policy stance and economic outcomes remain positive, the Board also approved a waiver for a small breach of one performance criterion and a waiver of applicability for another performance criterion for which data is not yet available. To date, under its US\$17.2 billion official financing package, Thailand has drawn US\$14.3 billion from bilateral and multilateral contributors, including SDR 2.5 billion (about US\$3.4 billion) from the Fund.

Reviewing the last two and a half years under the Fund-supported program, IMF Directors were impressed by the Thai authorities' successful implementation of economic policies. The IMF Directors recognize that the Thai authorities have begun to put in place an ambitious reform agenda that is necessary to underpin continued strong economic performance over the medium term. The IMF will continue to monitor developments in Thailand in the post-program phase.

Asian Development Bank (ADB)

The Asian Development Bank, headquartered in Manila, is an international financial institution owned by 56 Developing Member Countries (DMC's), of which the United States and Japan are the largest shareholders. The Bank provides loans and equity investments for the economic and social advancement of DMC's in the Asia/Pacific Region. The Bank provides technical assistance for development projects and advisory services; promotes investment of public and private capital for development purposes; and responds to requests for assistance in coordinating development policies and plans of DMC's.

An important aspect of the ADB's operational policy is to support the development of the private sector in DMC's. While all loans normally made to DMC's are guaranteed, the Bank provides direct loans to private companies without government guarantee for projects that produce essential items or provide vital services.

A Commercial Liaison Office, that reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington, assists U.S. suppliers and consultants in winning contracts on projects and activities funded by the Bank. Interested parties should contact Senior Commercial Officer, U.S. Liaison to the Asian Development Bank, Fax: 632-890-9713. ADB project commitments are listed in the National Trade Data Bank (NTDB) and on the Internet (www.asiandevbank.org).

Japan Bank for International Cooperation (JBIC)

Japan's Overseas Economic Cooperation Fund (OECF) merged with the Export-Import Bank of Japan (JEXIM) to become the Japan Bank for International Cooperation (JBIC) in October 1999.

On March 12, 1999, OECF (now JBIC) signed a loan agreement of up to 30 billion yen to Thailand as a necessary fund for "Economic Recovery and Social Sector Program Loan." This loan, which follows an ODA emergency loan package to help efforts to overcome the Thai

currency crisis, constitutes the signing of the third loan package for fiscal 1998. It is the first ODA loan to Thailand under the New Miyazawa Initiative announced in October of 1998.

With this, the total amount of ODA loan commitments to Thailand for 1998 came to approximately 147.6 billion yen, constituting the largest amount in terms of annual loan commitments. The cumulative commitment amount of ODA loans to Thailand now stands at 1,631.2 billion yen, covering 220 projects.

U.S. Export-Import Bank (Ex-Im) Project Finance

The U.S. Export-Import Bank established its Project Finance Division in June, 1994. As developing nations turn away from sovereign-guaranteed borrowing, the Bank's project financing program will assist U.S. exporters to compete in new international growth industries such as the development of private power and other infrastructure. While such a financing structure has been used successfully in the past for oil and gas, mining, and power projects, the move toward "privatization" by sovereign entities has created new opportunities for U.S. exporters in telecommunication, transportation and other sectors.

Ex-Im Bank offers short-, medium-, and long-term programs to support U.S. exports to Thailand. U.S. Ex-Im Bank's short-term export credit insurance program will provide for the financing of exports of consumer goods, spare parts, raw materials (on terms up to 180 days) and bulk agricultural commodities and quasi-capital goods (on terms up to 360 days).

Under Ex-Im Bank's short-term letter of credit insurance program, Ex-Im Bank will insure irrevocable letters of credit issued by the following Thai commercial banks: Bangkok Bank, Krung Thai Bank, Siam Commercial Bank and Thai Farmers Bank. For information on which Thai bank Ex-Im Bank may have internal limits for, please contact Ex-Im Bank's regional offices or its headquarters Business Development Division.

Overseas Private Investment Corporation (OPIC)'s Project Financing

OPIC finances U.S. business expansion overseas by providing long-term, limited-recourse project financing to ventures involving significant equity participation by U.S. Businesses. Financing is available for new ventures as well as expansion or modernization of existing ones. Loan guaranties are typically used for larger projects, while direct loans are reserved for projects involving U.S. small businesses and cooperatives.

OPIC can provide project financing in countries where conventional financial institutions often are reluctant or unable to lend. Rather than relying on sovereign or sponsor guaranties, OPIC looks for repayment from the revenues generated by the project itself. OPIC requires that there be a projected cash flow sufficient to pay all operational costs, service all debt, and provide an adequate return on the investment. To the extent that such financing is appropriate, sponsors need not pledge their own general credit for loan repayment beyond required project completion undertaking. In ventures where project financing is impractical, OPIC will consider more conventional lending techniques.

U.S. Trade and Development Agency (USTDA)

USTDA is an independent commercially-oriented foreign assistance agency of the United States Government. TDA promotes economic development and trade in developing and middle-income countries by funding feasibility studies, consultancies, training programs and other project planning services. In the Asia region, TDA creates export opportunities for U.S. firms by identifying major development projects which offer large export potential.

In 2000, the following TDA grants have been approved for Thailand:

Conceptual Design and Equipment Specification for Second Bangkok International Airport Rescue and Fire Fighting – TDA has approved a \$320,000 grant to update a conceptual design and prepare equipment specifications for the Airport Rescue and Fire Fighting. The FS contract will be selected through the Commerce Business Daily. (TDA#200030028A).

TOT IT Implementation Plan – TDA has provided partial grant funding of \$306,000 to the Telephone Organization of Thailand (TOT) to develop an IT implementation plan and a network that will link their various IT initiatives. The study began in the first quarter of 2000.

U.S. - Asia Environmental Partnership (USAEP)

USAEP is a program funded jointly by the Department of Commerce and the Agency for International Development, with the technical advice of the U.S. Environmental Protection Agency. Its mission is to promote private sector environmental technology activities in Asian countries. Working with the Commercial Service and USTDA, it sponsors feasibility studies, work shops, seminars and other training and familiarization for environmental officials and private sector decision makers concerning a wide range of development of environmental infrastructure and technology.

TYPES OF PROJECTS RECEIVING FINANCING SUPPORT

The range of projects that can receive financing support fall into three broad categories of public infrastructure, social development and private sector incentives. Typically, the types of public infrastructure projects financed include obtaining expert consulting services for national planning, financial institutional development, regulatory regime development and achieving international standards. Social development projects include health care, rural development, urban relief, institutional development, technology transfer, human resource development and wealth creation through rural industries. In the private sector projects include financing for participation in large infrastructure privatization, independent power and telecommunications, agricultural development and irrigation schemes, environmental technology, investment in manufacturing facilities, transportation, and, increasingly, the development of small and medium sized enterprises.

CHAPTER IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

Business relationships in Thailand are not as formal as those found in Japan, China, Korea or the Middle East, but neither are they as relaxed and impersonal as is common in the West. Many business relationships have their foundations in personal relationships developed within the social circles of family, friends, classmates and office colleagues. Although Thailand is a relatively open and friendly society, it is advisable to approach potential business contacts with a prior introduction or personal reference. Thais will be more receptive if you arrive with an introduction or letter from a known government official or business contact. Using the Commercial Service's Gold Key Program is also an effective way to gain access to the Thai business community.

The Thai cultural values of patience, respect for status (age, authority, etc.) and not losing face, are significant factors in business relationships as well. Thais feel great pride for their country and have deep respect for tradition. Sometimes, however, observance of traditional formalities may seem inconsistent to the tolerant, relaxed nature of living in Thailand. This can be confusing or frustrating to Westerners who are more informal and more time conscious.

Respect for, and consideration of, one's elders, superiors and patrons is deeply rooted in the Thai cultural and social environments. Thais are very reluctant to hurt the feelings of others or to cause them any dissatisfaction. Losing one's composure is losing face and losing respect in Thailand. Therefore, it can be difficult for Westerners to be sure they have received accurate and complete answers to questions, or that they have solicited frank and open opinions. (Source: Thailand Business Basics, Standard Chartered Bank.)

The revelation of what Westerners regard as rampant graft, corruption, and favoritism as an integral part of Thai business and political practice, and the recognition of the great cost to society these actions have caused in the wake of the financial crisis, is causing many Thais to openly criticize, for the first time, the behavior of the privileged and powerful. Previously referred to euphemistically as "the Thai way," such favoritism was not necessarily tolerated, but not directly challenged. The new economic and social era in the making holds promise of also being fairer and more transparent.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel. (202) 512-1800; Fax (202) 512-2250. Business travelers to Thailand seeking appointments with US Embassy Bangkok Officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (662) 205-5090, Fax at (662) 255-2915, or email at office.bangkok@mail.doc.gov

Etiquette

- "Khun" is the Thai form of address for Mr., Mrs., and Ms.
- The "wai" is a traditional gesture of greeting and respect in Thailand. Practice by placing your palms together in a prayer-like position.

- Business cards are an indispensable part of making business contacts in Thailand. Bring lots of your own as a general form of introduction.
- Remove shoes before entering a home or temple.
- Touching someone on the head or pointing your feet to anything is considered by Thais to be very rude.
- Thais hold the Royal Family in the highest esteem and you are also expected to do so.

TRAVEL ADVISORY AND VISAS

Americans who register at the U.S. Embassy or the U.S. Consulate can obtain updated information on travel and security within the country.

U.S. citizens carrying diplomatic, official or tourist passports do not require a visa for a visit of up to 30 days when arriving at the international airport in Bangkok, Phuket, Hat Yai or Chiang Mai, if the individual is in possession of an onward/return airline ticket. This airport permit to stay may, for a fee, be extended twice for a period up to 90 days. However, if an individual will remain in the country for more than 30 days, it is recommended that he/she obtain the appropriate visa at a Thai Embassy or Consulate prior to arrival.

For stays of up to 90 days a visa is required, the fee for a Tourist visa \$15.00 per entry; for non-immigrant visa \$20.00 per entry and \$40.00 per multiple entries and transit visas are \$10.00 per entry.

VISA TYPES AND PURPOSE OF VISIT:

NON-IMMIGRANT VISA

Purpose of visit: BUSINESS, CONFERENCE, RESEARCH, TEACHING, MASS MEDIA or MISSIONARY (requiring letter from your government, agency or organization sending you on your mission or from your counterpart in Thailand). EDUCATION (requiring letter from educational institution in Thailand). FAMILY REUNION (requiring marriage or birth certificates). SETTLEMENT AFTER RETIREMENT (requiring proof of retirement and financial support). MEDICAL TREATMENT (requiring letter from licensed doctor). The maximum stay 90 days. However, you may apply for an extension of stay while in Thailand.

TOURIST VISA

Purpose of visit: for tourism only.

(Maximum stay 60 days; you may apply for an extension of stay while in Thailand)

TRANSIT VISA

Purpose of visit: TRANSIT (requiring proof of confirmed onward ticket to a third country). SPORTS or CREW (requiring letter from organization concerned).

(Maximum stay 30 days; you may apply for an extension of stay while in Thailand)

For more information travelers may contact the Royal Thai Embassy, Visa Section, Suite 101, 1024 Wisconsin Ave., N.W. Washington, D.C. 20007 Tel. (202) 944-3600 Ext. 767 Fax. (202) 944-3611 e-mail: consular@thaiembdc.org. **Office Hours:** Monday-Friday 9:00 a.m. –1:00 p.m. and 2:30-4:00 p.m. (Walk-in Services: 9:00 a.m. – 1:00 p.m. only) U.S. Eastern Standard Time. Closed on Thai and U.S. Official Holidays.

HOLIDAYS:

During the calendar year 2001, the following are the commercial holidays on which most business and government offices in Thailand will be closed.

January 1	New Year's Day
January 24	Chinese New Year
February *	Maka Bucha Day
April 6	King Rama I Memorial & Chakri Day
April 13	Songkran Day
April 14	Songkran Day
April 15	Songkran Day
May 1	National Labor Day
May 5	Coronation Day
May 14	Ploughing Day
May *	Visakha Bucha Day (Full Moon Day)
July 1	Bank Mid-Year Closing Day
July 17	Buddhist Lent
August 12	H.M. the Queen's Birthday
October 23	Chulalongkorn Day
December 5	H.M. the King's Birthday and National Day
December 10	Constitution Day
December 31	New Year's Eve

* Dates vary each year according to the lunar calendar.

In addition to the above dates, the American Embassy, as well as many other U.S. offices in Thailand, will observe the following holidays:

January 17	Martin Luther King, Jr. Birthday
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February 21	President's Day
May 29	Memorial Day
July 4	Independence Day
September 4	Labor Day
October 9	Columbus Day
November 10	Veterans Day
November 23	Thanksgiving Day
December 25	Christmas Day

WORK WEEK:

The common professional workweek in Thailand is 40 hours per week consisting of five, 8-hour days, Monday through Friday. Office hours in Bangkok vary to accommodate flex-time travel through the city's notoriously heavy traffic. Common office hours are 8:00am to 5:00pm. The U.S. Embassy in Bangkok's hours are Monday through Friday, 7:00 a.m. to 4:00 p.m. Most business offices are closed on Saturdays and Sundays although most commercial establishments remain open.

BUSINESS INFRASTRUCTURE

Transportation

The business traveler has access to a range of ground transportation in Bangkok and major cities. Metered taxis are common and most hotels offer limousine services. Chauffeured cars can be rented for extended stays. The BMTA sky train began operation in December 1999 providing services for commuters in two of Bangkok's most congested business districts, Silom and Sukhumvit.

Public transportation in the form of inter-city air-conditioned buses, and regular buses serve the general population and vary in comfort and efficiency. Inter-city rail service ranges from comfortable and efficient to primitive. The State Railway of Thailand operates 3,800 kms of rail tracks with 623 destinations and four main routes: Bangkok-north to Chiang Mai; northeast to Nongkhai and Ubon Rajathani; east to Prachinburi; and, south to the Thai-Malaysian border.

Thailand's road system compares favorably with that of other developing countries in the region. In fact, road transportation is considered Thailand's key transportation mode for goods and passengers. Major inter-city links are being expanded into 4 or more lane highways. Transport of goods and passenger services by rail, sea, air and road generally is good. Rural roads are being improved.

Thailand has coastlines on the Gulf of Thailand and on the Andaman Sea with 58 sea channels, 40 operational seaports and 90 fishing trawler piers. Out of 6,000 kilometers of navigable inland waterways, 1,750 kilometers can be used as transportation routes for bulk cargo. Thailand offers the advantages of low-priced handling, cheap labor and inexpensive storage costs.

Thailand currently has five international airports: Bangkok International Airport, Chiang Mai International Airport, Chiang Rai International Airport, Hat Yai International Airport, and Phuket International Airport. Thailand also has 28 airports that service domestic flights. Bangkok International Airport (BIA), which is located just north of Bangkok, serves as Thailand's main gateway for air transportation. Handling 27 million passengers per year, the Bangkok International Airport will reach its handling capacity by 2003. Development of the New Bangkok International Airport (NBIA) is underway. NBIA will serve as the country's primary international airport and aviation hub with a passenger capacity of 30 million per year. NBIA is scheduled to open in 2004.

Language

Thai is the national language. English is the next most commonly spoken language, and is especially prevalent among the business community in Bangkok. (There are four distinct language dialects in Thailand, with the Central Thai dialect being the first language of 75 percent of the population.) Many Sino-Thai also speak Chinese. Because of the large number of Japanese subsidiary companies in Thailand, Japanese is also common amongst the business community.

Banking Services

A good range of commercial banking services is available in Thailand for both business and retail customers. Deposit accounts, lending facilities, foreign exchange, import/export facilities and other products and services such as credit cards, debit cards and automatic teller machines (ATM) are offered. Some limitations, such as on mortgage lending to foreigners, do exist, reflecting restrictions on foreign ownership of property. Foreign banks have joined the local ATM network, thus enabling their customers to use their overseas bank ATM card at any ATM within the domestic network. There are approximately 5,000 ATM's in Thailand, with older machines being replaced by newer ones.

Communications

Communications for the business traveler in Bangkok and major cities is efficient, with worldwide access for voice, fax and data with international direct dialing. Cellular phones are very common and can be rented for short stays. A foreign cellular phone will not work in Thailand, although the appearance of the new global G.P.S. phones will change that. In rural or remote areas cell coverage is spotty and only first class hotels have reliable land coverage.

Thailand is a member of the International Telecommunications Satellite Consortium, and maintains 2 ground stations connected to satellites over the Pacific and Indian oceans to provide

convenient radio communication services. On December 17, 1992, THAICOM, the first Thai national satellite, was launched into orbit followed by THAICOM 2 on October 8, 1994, and THAICOM 3 on April 16, 1997.

Thailand is served by the major international cable television channels including CNN, BBC, CNBC, ABN, Star TV, HBO, etc. which are widely available in hotels, residences and other public facilities.

Thailand's economic plunge has caused a sharp decline in the demand for telecommunications services that include landline telephone, cellular phone, radio communications, paging, and VSAT services. Consequently, planned investments in the expansion of 6 million landline telephones and cellular phones in the radio frequency ranges of 1500 and 1900-megahertz have been deferred. However, the installation of rural public long distance telephone lines and the installation of submarine fiber optic cable were not affected by the economic crisis.

For a landline telephone, the installation fee is US\$103, the required deposit is \$84, the monthly service fee is \$2.80, and the flat rate for a local call is \$0.08. For a cellular phone, handset prices range from US\$300 to \$1,000, the mandatory deposit is \$84, the connection fee is \$36, the monthly service fee is \$14, and local cellular calls cost \$0.08 per minute.

For electronic communications, Thailand provides 3 main solutions for temporary Internet access. First, purchasing an Internet package from a local ISP in prepaid amounts for anywhere from 10 to 50 hours. Second, cyber-café's, which are located throughout Bangkok and in major provinces. Third, Internet access provided in high-end hotels catering to business travelers. Internet access and high-speed Internet service has been provided while wireless Internet connectivity will soon be offered in luxury hotel rooms.

Utilities

The electrical current in Thailand is 220 volts. Business travelers should bring converters and surge protectors but they are also available on the local market.

Water quality ranges widely. Many Thai people drink bottled water which is inexpensive and readily available. In Bangkok and major cities, tap water is safe enough for bathing. Water is priced from \$0.15 to \$0.43 per cubic meter in accordance with the usage.

Health

Excellent medical treatment is available in Bangkok, with good to adequate treatment available throughout the country. While the general level of health and nutrition is good, some tropical diseases are a problem. Hepatitis is endemic. The incidence of AIDS has leveled off due to educational awareness campaigns by the Royal Thai Government. However, Thailand is still considered a high-risk country, especially among prostitutes and intravenous drug users. Malaria is a problem in rural border areas, but not in Bangkok, major cities, or major tourist destinations. Dengue fever outbreaks occur periodically throughout the country.

Doctors and hospitals often expect immediate cash payment for services, and U.S. medical insurance is not always valid outside the United States. Many hospitals in Bangkok and other major cities will accept standard credit cards. For additional useful health information, contact the International Travelers' Hotline at the Center of Disease Control at 404-332-4559.

Food

Eating is an important part of the Thai group-oriented culture. Thai food has become internationally popular because of its sophistication and variety. The staples of this cuisine include rice, noodles, vegetables, meats, fish, spices and chilies. Thai food can be enjoyed in a wide variety of venues, from street-side kiosks to elegant world-class restaurants. In addition, all other international cuisines are available in the major cities and resort areas ranging from European fine dining, to other Oriental and ethnic restaurants, to American fast food.

Accommodations

Thailand offers various types of accommodations to travelers - from five star international hotels, to serviced apartments, to moderate, comfortable business hotels, to modest but safe, clean guesthouses. Establishments catering to business clientele usually offer full-service business centers with international communications. The economic downturn, and overbuilding of hotels, means that Bangkok is offering some of the best accommodation bargains in the world, and Thailand is vying actively for business and leisure travel and convention business.

Ample western style residential apartments and houses are available for foreign residents. The construction of high-rise condominium projects in the past few years has increased available quality accommodation in the Bangkok metropolitan area and other major cities. Foreign business visitors are increasingly utilizing full-service residential apartments for short-term stays in Bangkok. The supply of these facilities, including some operated by American firms, has increased markedly in recent years.

TEMPORARY ENTRY OF GOODS

Thai Customs Department policy and procedures on temporary entry of goods for business practices and exhibitions are described below. For further information, please contact Bangkok International Airport Customs House tel: (662) 535-1550, Public Relations Sub-Division, Customs Department tel: (662) 249-9017, 249-3298; Customs Department web site: www.customs.go.th or the Commercial Service Bangkok tel: (662) 205-5090.

Goods for Business Practice

Laptop Computers: The Thai Customs Department considers laptop computers as reasonable personal effects and not dutiable, restricted or prohibited goods. If travelers carry laptop computers for use while visiting Thailand, they should check the "Nothing to Declare" box on the customs declaration form and submit the form at the Green channel. However, each

traveler should carry only one laptop at a time and should be prepared to prove at a Customs random inspection that the computer is a personal belonging or for use while doing business in Thailand, and not for re-sale.

Computer Software: Unwrapped computer diskettes for use while visiting Thailand are not dutiable. Check the “Nothing to Declare” box on the customs declaration form and submit the form at the Green channel. However, significant volumes of wrapped software packages are considered dutiable and an import duty payment may be requested.

Exhibit Materials

There are 2 choices of Customs procedures for entering exhibit materials exempted from duty payment into Thailand.

1. **Bonded Guarantee (A.T.A.Carnet):** A.T.A. Carnet is an international system that provides bonded guarantees on goods imported temporarily. Its purpose is to facilitate customs procedures for temporary import-export of goods which are exempt from payment of duty without prohibited and restricted conditions. All member states accept and provide this service under their own laws and regulations.

The Thai Customs Department recommends exhibit materials enter into Thailand through a carnet as it cuts down the required Customs procedures. The guarantee issuer and guarantor must be approved by the Customs Department and be a member of the international guarantee issuer organization such as a U.S. Trade Association or Chamber of Commerce. The guarantee issuer organization can issue a letter of guarantee to exporters in which they agree to pay duty if carnet conditions are not followed.

An importer can use the letter of guarantee as a substitute to the import entry form and the payment guarantee. The importer must complete the carnet import/re-export document and submit it to Customs officers at Thailand’s port of entry. The Customs officers will inspect the goods, keep a copy of the import entry form and return the carnet book to the importer. If the goods are not taken out within the period of time stated in the contract, the guarantor will have to pay duty, a 10 percent penalty, and any applicable fees. For further information, please contact the Privilege Goods and Investment Promotion Sub-Division tel: (662) 249-4150, fax: (662) 249-4212.

2. **Imported goods for exhibition in Thailand:** Exhibit materials apply to goods which are imported for public exhibition and goods on which the importer has placed a bonded guarantee and will be re-exported within a certain period of time. Goods used up in an exhibition such as printed documents, advertised articles, and distributed materials are not duty exempted items. The process for temporary importation of exhibit materials into Thailand is as follows:

- The importer must provide detailed information on the exhibition including the host, venue, period of time, reasons for importation, and goods category to the Customs Department for temporary import permission;

- The importer must submit a duty exempted application with certification of the exhibition, an import entry form with documents such as invoice, Airway bill, and packing list and a permission form for import of restricted goods. The importer signs for the materials, states the period of temporary entry (must be under 6 months), and places a cash deposit or Bank's guarantee for the following total (duty + 140 percent + VAT);
- Customs officers will inspect the goods and return a copy of the special Import Entry Form to the controller of the goods to be presented on the way of taking the goods out of Thailand. The controller may appoint a local firm, as an importer, to deliver the material from the port of entry to the exhibition site;
- When taking the materials out of the country, the controller shall present a copy of the special Import Entry Form to the Customs officers and shall withdraw the guarantee contract. If the importer has shown intention of not taking the goods out of the country within the period of time stated in the contract, the guarantee contract will be enforced;
- Regarding contract extensions, the importer can request an extension of 6 months from the date of entry. To receive this extension, the importer must submit an application to the Customs House or to the Laws and Regulations Division, Customs Department for approval.

CHAPTER X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA

Population:	62.7 million (2000 est.)
Population Growth Rate:	1%
Religions:	Buddhist (95%); Muslim (4%); Christian, Hindu, Sikh, other (1%)
Government System:	Constitutional Monarchy
Languages:	Thai; English is the most widely spoken second language; many Sino-Thai also speak Chinese.
Work Week:	Monday through Friday

APPENDIX B: DOMESTIC ECONOMY

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000F</u>
GDP at Current Prices (\$bil.)	150.7	112.1	123.9	n.a.

GDP at 1988 Prices (\$bil.)	97.4	66.4	75.6	79.4
GDP Growth Rate (in Baht terms)	-1.7	-10.2	4.2	4.5
Per Capita Income (\$)	2,478	1,824	1,996	n.a.
Current Account Balance	-3.1	14.3	11.3	7.7
Government Expenditure	-15.7	1.9	2.8	3.7
Consumer Prices (% change)	5.6	8.1	0.3	2.5-3.0
Official Unemployment (%)	1.5	4.4	4.2	4.7*
Foreign Exchange Reserves (\$bil.)	27.0	29.0	35.1	32.1*
Average Exchange Rate (Baht/US\$)	31.37	41.37	37.84	37.65**
Debt Service/Exports	15.6	20.8	20.4	16.0

Sources: Bank of Thailand, Ministry of Finance, Ministry of Commerce, and National Economic and Social Development Board (NESDB).

Data for 2000 are forecasts except for: * as of February 2000, ** as of March 2000

APPENDIX C: TRADE

(US\$ millions)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000e*</u>
Total Country Exports (FOB)	56.7	52.9	56.8	62.3
Total Country Imports (CIF)	61.4	40.6	47.9	56.9
Imports from U.S.	8.5	6.0	6.4	6.4
Exports to U.S.	11.3	12.1	12.7	13.2

Note: 1997 FX is \$1=Bt30.7; 1998 FX is \$1=Bt41.5; 1999 FX is 1\$=Bt36.9; 2000 FX is \$1=Bt37.0

*1999 statistics are estimates from the Thai Ministry of Commerce; Year 2000 estimates come from a variety of sources

Source: Department of Business Economics, Ministry of Commerce; U.S. Department of Commerce

CHAPTER XI. U.S. AND THAILAND CONTACTS

The U.S. and Foreign Commercial Service and the Economic Section at the U.S. Embassy in Bangkok maintain extensive files on key organizations in Thailand. Contact them for more information.

U.S. GOVERNMENT

U.S. EMBASSY, THAILAND

The Honorable Richard E. Hecklinger

Ambassador of the United States of America to the Kingdom of Thailand
120 Wireless Road

Bangkok, Thailand 10330
or mail from the U.S.:
American Embassy – Bangkok
APO AP 96535
Tel: 662-205-4000
Fax: 662-205-4499

U.S. AND FOREIGN COMMERCIAL SERVICE

Senior Commercial Officer: Ms. Karen Ware

U.S. Embassy Bangkok
Diethelm Towers A, 3rd Floor
93/1 Wireless Road
Bangkok 10330
Tel: 662-205-5090
Fax: 662-255-2915
E-mail: office.bangkok@mail.doc.gov
or mail from the U.S.:
American Embassy - Bangkok
Box 51
APO AP 96546

Note: The U.S. and Commercial Service helps U.S. business to export to and develop their business in Thailand.

ECONOMIC SECTION

Economic Counselor: Mr. Joseph Yun

U.S. Embassy Bangkok
120 Wireless Road
Bangkok 10330
Tel: 662-205-4995
Fax: 662-254-2839
or mail from the U.S.:
American Embassy – Bangkok
APO AP 96546

U.S.D.A. FOREIGN AGRICULTURAL SERVICE

Agricultural Counselor: Mr. Maurice House

U.S. Embassy Bangkok
Diethelm Towers A, 4th Floor
93/1 Wireless Road
Bangkok 10330
Tel: 662-205-5106
Fax: 662-255-2907
or mail from U.S.
American Embassy - Bangkok
APO AP 96546
E-mail: agbangkok@fas.usda.gov

U.S.-ASIA ENVIRONMENTAL PARTNERSHIP (US-AEP)

Director of Technology Cooperation: Mr. Jack Kneeland

Diethelm Tower A, 3rd Floor

93/1 Wireless Road

Bangkok 10330

Tel: 662-651-5782, Central line: 205-4000 Ext. 5301, 5302, 5303

Fax: 662-254-2838

E-mail: usaepbkk@lox2.loxinfo.co.th

or mail from U.S.

Box 51

APO AP 96546

Note: The US-AEP is managed by the U.S. and Commercial Service in Bangkok. It provides cost-share assistance grants to U.S. environmental companies and sponsors environmental business conferences and workshops.

ROYAL THAI GOVERNMENT

General

MINISTRY OF FOREIGN AFFAIRS (www.mfa.go.th)

Sri Ayudhya Road, Bangkok 10400

Department of Economic Affairs

Director: Mr. Kobsak Chutikul

Saranrom Palace, Sanam Chai Road, Bangkok 10200

Tel: 662-643-5255 - 4090

Fax: 662-643-5250

Department of American and South Pacific Affairs

Tel: 662-643-5121-2

North America Division

Director: Mr. Isorn Pocmontri

Saranrom Palace, Sanam Chai Road, Bangkok 10200

Tel: 662-643-5120 - 3050

Fax: 662-225-7388

Email: div0902@mfa.go.th

Royal Thai Embassy in Washington

(www.thaiembdc.org)

His Excellency Mr. Tej Bunnag

Ambassador Extraordinary and Plenipotentiary

1024 Wisconsin Avenue, N.W. Suite 401

Washington, D.C. 20007

Tel: 202-944-3600

Fax: 202-944-3611

OFFICE OF THE PRIME MINISTER

(www.pmooffice.go.th)

National Economic and Social Development Board (NESDB)

(www.nesdb.go.th)

962 Krungkasem Road, Pomprab, Bangkok 10100

Tel: 662-282-8454

Fax: 662-282-1867

Email: mis@nesdb.go.th

Secretary-General: Mr. Sansern Wongcha-un

Email: sansern-w@nesdb.go.th

962 Krung Kasem Road, Pomprab, Bangkok 10100

Tel: 662-282-5417, 281-0947

Fax: 662-280-0892

Office of the Board of Investment (BOI)

(www.boi.go.th)

Secretary-General: Mr. Staporn Kavitanon

555 Vipavadee Rangsit Road, Chatuchak

Bangkok 10900, Thailand

Tel: 662-537-8111-8155

Fax: 662-537-8177

Email: head@boi.go.th

National Energy Policy Office (NEPO)

(www.nepo.go.th)

121/1-2 Petchburi Road, Phayathai, Rajthevee

Bangkok 10400 Thailand

Tel: 662-612-1555

Fax: 662-612-1352

Secretary-General: Dr. Piyasvasti Amranand

Secretary: Mrs. Duangsuda Jirapraditkul

Tel: 662-612-1350

Fax: 662-612-1352

MINISTRY OF INTERIOR

**Office of the Board of the Control of
The Engineering and Architectural Profession Division**

Director: Mr. Polwat Chayanuwat

Office of the Permanent Secretary for Interior

Atsadang Road, Bangkok 10200

Tel: 662-281-1567, 282-2161

MINISTRY OF COMMERCE

Department of Foreign Trade

(www.dft.moc.go.th)

Director-General: Mr. Pracha Charutrakulchai

44/100 Sanambinnam-Nonthaburi Road,

Nonthaburi 11000

Tel: 662-547-4771-86

Fax: 662-547-4791-2

Email: dft_info@mocnet.moc.go.th

Department of Commercial Registration

Director-General: Mr. Somsak Yamasmit

Building 3rd Floor,

44/100 Moo 1 Nonthaburi Road, (Sanambinnam),

Bangkrasor, Muang, Nonthaburi 11000

Tel: 662-547-4458-9, 547-4462-4, 547-4423-4

Fax: 662-547-4459, 547-4463, 547-4441

Registration of Public Companies, Group of Bank and Financial Institution, Insurance Companies, Storage and Warehousing

MINISTRY OF FINANCE

(www.mof.go.th)

The Customs Department

(www.customs.go.th)

Director-General: Mr. Somchainuk Engtrakul

Soonthornkosa Road, Khlong Toey

Bangkok 10110

Tel: 662-249-0442, 249-0430/40

Fax: 662-249-2874

MINISTRY OF INDUSTRY

(www.industry.go.th)

Department of Industrial Works

(www.diw.go.th)

Environment Department

Director-General: Mr. Thien Mekanontchai

76/5 Rama VI Road, Rajthevee

Bangkok 10400

Tel: 662-202-4014

Fax: 662-245-8000

Department of Industrial Promotion

(www.dip.go.th)

Director-General: Mr. Damri Sukotanang

Email: damri@dip.go.th

Rama VI Road, Ratchathevi

Bangkok 10400

Tel: 662-202-4414-18

Fax: 662-246-0031

Thai Industrial Standards Institute

(www.tisi.go.th)

Secretary-General: Ms. Kanya Sinsakul

Rama VI Road, Ratchathevi

Bangkok 10400

Tel: 662-202-3300-4

Fax: 662-202-3415

Email: thaistan@tisi.go.th

Industrial Estates Authority of Thailand

(www.ieat.go.th)

Governor: Mr. Somchet Thinapong

618 Nikhom Makkasan Road, Ratchathewi,

Bangkok 10400

Tel: 662-253-3398, 253-4085

Fax: 662-253-4086

MINISTRY OF SCIENCE, TECHNOLOGY AND ENVIRONMENT

(www.moste.go.th)

Office of Environmental Policy and Planning

(www.oepp.go.th)

Secretary-General: Dr. Saksit Tridech

Email: saksit@oepp.go.th

Tel: 662-279-0129

Fax: 270-1661

60/1 Soi Pibulwatana 7

Rama VI Road, Bangkok 10400

Tel: 662-279-7180-9

Fax: 662-271-3226

Pollution Control Department

(www.pcd.go.th)

Director-General: Mr. Sirithan Pairoj-Boriboon

Tel: 662-619-2316

Fax: 662-619-2275

Email: sirithan.P@pcd.go.th

404 Phaholyothin Center Building
Samsen Nai, Phaya Thai,
Bangkok 10400
Tel: 662-619-2299
Fax: 662-619-2285

MINISTRY OF PUBLIC HEALTH
(www.moph.go.th)

Food and Drug Administration
(www.fda.moph.go.th/fdaindex.htm)
Secretary-General: Dr. Mongkol Na Songkhla
Tivanond Road, Muang
Nonthaburi 11000
Tel: 662-591-8441
Fax: 662-591-8452

OTHER INDEPENDENT GOVERNMENT AGENCIES

Bank of Thailand
(www.bot.or.th)
Governor: Mr. Chatu-Mongkol Sonnakul
273 Sam Sen Road, Bangkhunprom
Bangkok 10200
Tel: 662-283-5353
Fax: 662-280-0449, 280-0626

Bangkok Metropolitan Administration
(www.bma.go.th)
Governor: Mr. Bhichit Rattakul
173 Dinso Road
Bangkok 10200
Tel: 662-621-0812/27
Fax: 662-21-0831

TRADE ASSOCIATIONS

AMERICAN CHAMBER OF COMMERCE IN THAILAND (AMCHAM)
(www.amcham-th.org)
Executive Director: Mr. Thomas A. Seale
7th Floor, Kian Gwan Bldg.
140 Wireless Road
Bangkok 10330
Tel: 662-251-9266/7, 651-4473
Fax: 662-651-4474

Note: AmCham is the premier U.S. business organization in Thailand with more than 600 U.S. member companies.

US-ASEAN Business Council

1101 17th Street NW, Suite 411
Washington, DC 20036
Tel (202) 289-1911
Fax (202) 289-0519
email: mail@usasean.org

Note: The US-ASEAN Business Council is the premier national private organization in the United States representing private sector interests in ASEAN, the Association of Southeast Asian Nations.

THAILAND-U.S. BUSINESS COUNCIL

Chairman: Mr. Chattri Sophonpanitch
49 Asia Sermkij Tower
Soi Pipat, Silom Road
Bangrak, Bangkok 10500
Tel: 662-231-5934/8
Fax: 662-231-5919

Note: These partner business councils are important for policy and senior executive business information exchange.

U.S. THAILAND BUSINESS COUNCIL

Co-Chairmen: Mr. Rubin Mark & Mr. Theodore Roosevelt
3050 K. Street, N.W. Suite 105
Washington, D.C. 20007
Tel: 202-337-5973
Fax: 202-337-0039

Note: This Council is at the forefront of U.S.-ASEAN affairs and sponsors senior interchanges including the annual U.S.-ASEAN Ambassador's Tour in the U.S. and senior executive visits to ASEAN.

BOARD OF TRADE OF THAILAND (BOT)

Chairman: Mr. Vichien Techapaibul
150 Rajbopit Road
Bangkok 10200
Tel: 662-221-0555, 221-1827, 221-9350, 221-1827, 222-9031,
223-2069
Fax: 662-225-3995, 226-5563

FEDERATION OF THAI INDUSTRIES (FTI)

(www.fti.or.th)

Chairman: Mr. Tawee Butsoonthorn
Queen Sirikit National Convention Center

Zone C, 4th Floor, 60 New Rachadapisek Road
Klong Toey, Bangkok 10110

Tel: 662-229-4255

Fax: 662-229-4941/2

Note: The Federation of Thai Industries membership represents most of the major industry sectors and their industry associations.

THAI CHAMBER OF COMMERCE (TCC)

(www.tcc.or.th)

President: Mr. Vichien Techapaibul

150 Rajbopit Road, Pranakorn

Bangkok 10200

Tel: 662-622-1860

Fax: 662-225-3372, 622-1879

Email: tcc@tcc.or.th

COMMERCIAL BANK WITH U.S. AFFILIATIONS

BANK OF AMERICA BANGKOK BRANCH

Country Manager: Mr. Frederick Chin

2/2 Wireless Road, Bank of America Center

Bangkok 10330

Tel: 662-251-6333

Fax: 662-253-1905

BANK OF AYUDHYA PCL.

(www.bay.co.th)

President: Mr. Krit Ratanarak

1222 Rama III Road, Bang Pongphang

Yannawa, Bangkok 10120

Tel: 662-296-3000

Fax: 662-683-1275

BANGKOK BANK PUBLIC CO., LTD.

(www.bbl.co.th)

President: Mr. Chartsiri Sophonpanich

333 Silom Road,

Bangkok 10500

Tel: 662-231-4333, 231-4665

Fax: 662-236-8288

CHASE MANHATTAN BANK

Managing Director: Mr. Raymond C.C. Chang

20 North Sathorn Road, Bubbajit Building

Bangkok 10500

Tel: 662-234-5992/5, 238-1720/4

Fax: 662-234-8386, 234-7853

CITIBANK NA

General Manager: Mr. Henry Ho
Citibank Tower, 82 North Sathorn Road
Bangrak, Bangkok 10500
Tel: 662-639-2000, 232-2000
Fax: 662-639-2560, 639-2550

KRUNG THAI BANK PUBLIC CO., LTD.

(www.ktb.co.th)

President: Mr. Singh Tangtatswas
35 Sukhumvit Road, Klongtoey Nua
Wattana, Bangkok 10110
Tel: 662-255-2222
Fax: 662-255-9391/6

SIAM COMMERCIAL BANK PUBLIC CO., LTD.

(www.scb.co.th)

President: Ms. Jada Wattanasiritham
9 Rachadapisek Road, Ladyao
Chatuchak, Bangkok 10900
Tel: 662-544-1111, 937-7777
Fax: 662-937-7687

THAI FARMERS BANK LTD.

(www.tfb.co.th)

President: Mr. Banthoon Lamsam
1 Moo 2, Soi Thai Farmer
Ratburana Road, Khet Ratburana
Bangkok 10140
Tel: 662-470-1122, 470-1199
Fax: 662-470-2748/9

THAI MILITARY BANK

(www.tmb.co.th)

President: Dr. Thanong Bidaya
3000 Phaholyothin Road
Chatuchak, Bangkok 10900
Tel: 662-273-7164
Fax: 662-273-7121

MARKET RESEARCH FIRMS

AGRISOURCE

Managing Director: Mr. Tim Welsh
Resources for Agribusiness
Ambassador's Court, 4th Fl., No. 416
76/1 Soi Lang Suan, Ploenchit Road
Bangkok 10330
Tel: 662-251-8655/6, 251-8669
Fax: 662-251-0390
Email: agsource@loxinfo.co.th

ASIAN SOLUTIONS RESEARCH

Managing Director: Mr. Bill Condie
76/26 Lang Suan House
Soi Lang Suan, Ploenchit Road
Bangkok 10330
Tel: 662-652-0940/1
Fax: 662-652-1842
E-Mail: bcondie@pobox.com

THE BROOKER GROUP LTD.

Managing Director: Mr. George D. Hooker
2nd Floor, Zone D, Room #201/2
Queen Sirikit National Convention Center
60 New Rachadapisek Road
Klongtoey, Bangkok 10110
Tel: 662-229-3111
Fax: 662-229-3127
Email: hooker@loxinfo.co.th
peterb@loxinfo.co.th
URL: www.brookergroup.com

BUSINESS ADVISORY THAILAND

President: Mr. Jon Selby
15th Floor, Maneeya Center Building
518/5 Ploenchit Road, Lumpini
Pathumwan, Bangkok 10330
Tel: 662-255-8977-8, 251-2285
Fax: 662-254-4576

COOPERS & LYBRAND

Executive Director: Ms. Waraporn Saynpatharn
8th Floor, Sathorn Thani Building I
90/14-16 North Sathorn Road, Bangkok 10500
Mail: GPO Box 788, Bangkok 10501
Tel: 662-236-5227/9, 236-7814/9
Fax: 662-236-5226, 237-1201

DEEMAR CO., LTD.

Managing Director: Mr. Chris J. Andrews
26th Floor, United Center
323 Silom Road
Bangkok 10500
Mail: PO Box 2732, Bangkok 10501
Tel: 662-231-1931, 236-7747
Fax: 662-231-1959

J.P. ROONEY & ASSOCIATES GROUP

Chairman: Mr. James P. Rooney
4th Floor, Panunee Building
518/3 Ploenchit Road
Bangkok 10330
Mail: PO Box 1238, Nana Post Office
Bangkok 10112
Tel: 662-251-9832, 254-7343, 251-2323
Fax: 662-652-0788
Email: jprooney@msn.com

MIDAS AGRONOMICS CO., LTD.

President: Mr. Anthony M. Zola
Mekong International Development Associates
Technic Building, Room 403
48 Soi 12, Sri Ayudthaya Road,
Bangkok 10400
Tel: 662-246-1714
Fax: 662-246-5785
E-mail: zola@mozart.inet.co.th

PriceWaterhouseCoopers

Chief Executive Officer: Mr. Sukont Kanjana-hattakit
15th Floor, Bangkok City Tower
179/74-80 South Sathorn Road,
Bangkok 10120
Tel: 662-286-9999, 344-1000
Fax: 662-286-5050

THAI WEB SITES FOR AMERICAN INVESTORS AND EXPORTERS

US COMMERCIAL SERVICE - <http://www.csbangkok.or.th>

The U.S. Commercial Service helps U.S. businesses invest in and export to Thailand.

U.S. EMBASSY IN THAILAND - <http://www.usa.or.th>

Whatever your interests, the USIS Thailand homepage helps.

AMERICAN CHAMBER OF COMMERCE - <http://amcham-th.org>

This site provides information on Chamber activities.

THE BOARD OF INVESTMENT OF THAILAND - <http://www.boi.go.th>

A wealth of valuable information on Thailand, for investors. Exporters will also find it useful.

THAI INDUSTRIAL STANDARDS INSTITUTE - <http://www.tisi.go.th>

This site provides information on standards for products to be sold in Thailand. The site also contains data on the certification mark activities and ministerial regulations.

ENGLISH LANGUAGE NEWSPAPERS IN THAILAND

BANGKOK POST - <http://www.bangkokpost.com>

THE NATION - <http://www.nationmultimedia.com>

BUSINESS AND ECONOMY

THE NATIONAL ELECTRONICS AND COMPUTER TECHNOLOGY CENTER (NECTEC) – <http://www.nectec.or.th>

A list of Internet servers (domestic and abroad) with information pertaining to Thailand.

THAI CABINET MINUTES – <http://www.thaigov.go.th>

FINANCIAL SECTOR RESTRUCTURING AUTHORITY (FRA)

<http://www.fra.or.th>

The FRA was established to liquidate the assets of 56 finance companies closed by the government in 1997.

BANK OF THAILAND - <http://www.bot.or.th>

Library has weekly list of interesting newspaper/periodical articles!!

ASIAN DEVELOPMENT BANK - <http://www.asiandevbank.org>

News, press releases, documents and information on business opportunities, conferences and seminars.

THREE OF THE LARGEST THAI BANKS

SIAM COMMERCIAL BANK - <http://www.scb.co.th>

THAI FARMERS BANK - <http://www.tfb.co.th>

BANGKOK BANK - <http://www.bbl.co.th>

MISCELLANEOUS

AMAZING THAILAND - <http://www.amazingthailand.th>

The objective of this site is to persuade people to visit and learn more about Thailand.

“THAILAND TALES” - <http://www.mcb.co.uk/apmforum/columns/thai.htm>

This column is useful for foreigners who come to do business in Thailand.

NATIONAL TRADE DATA BANK (NTDB) www.stat-usa.gov

Contains US & FCS reports on various developments in the Thai market throughout the year, as well as reports from embassies world-wide.

CHAPTER XII: MARKET RESEARCH

The U.S. and Commercial Service (USCS) of the U.S. Department of Commerce at the U.S. Embassy in Bangkok have prepared a number of market research reports and sub-sector analyses. They may be obtained from any CS office or from the CS Website:

<http://www.usatrade.gov>

Selected FY '00 Market Research Reports**International Market Insight (IMI)**

<u>Code</u>	<u>Title</u>	<u>Date</u>
APG/TRN/ACE	Second Bangkok International Airport Construction Update and U.S. Embassy Trade Event	02/00
APG,TRN,ACE	Second Bangkok International Airport	05/00
APS	Asia Automotive '99 Review	12/99
AUT	Automotive Industry Update – 2000	02/00
CPT/CSF/CSV	The University Network Project	10/99
CPT/CSF/CSV	Thailand IT Market 2000	05/00
CPT/CSF/CSV	Internet Liberalization/Update	11/99
DFN	Thailand Defense Asia'99	12/99
EDS	Education Abroad Potential	05/00
ELP	Electric Power Generation and Demand in Thailand	12/99
ELP	Update on the Privatization of Ratchaburi Power Plant	01/00
ELP	Thailand's IPP Program Update	01/00
ELP	Small Power Producers in Thailand	03/00
FRA	Third Opportunity and Franchise Exhibit	12/99
INS, TEL	Asian International Network	06/00
OGS	Chevron to Invest More in Thailand	03/00
OGS	Natural Gas Pipeline Projects	01/00
POL	Entech Pollutec Asia 2000	05/00
SEC	Dam Safety Management Project	04/00
TEL	TelecommAsia Corporation in Thailand	10/99

TEL	Update on the Privatization of the Telecommunications Industry in Thailand	123 of 128 10/99
TEL	Opportunity to Sell Telecom's Network Equipment	03/00
TEL	Update on the Privatization of the Communications Authority of Thailand	02/00
TEL	Progress in Liberalizing Telecommunications Services	06/00
TEL	Market for Telecommunications Services in Thailand	06/00
TRN,ACE	Overview of the State Railway of Thailand and Upcoming Project Opportunities	03/00
TRN,ACE	Bangkok's New Subway System	01/00

Selected FY '99 Market Research Reports

International Market Insight (IMI)

<u>Code</u>	<u>Title</u>	<u>Date</u>
ACE	Energy Services	03/99
APG	Small Aircraft Maintenance Center	09/99
APG	Prequalifications of Contracts for the Construction of Passenger Terminal Complex Foundations for the Second Bangkok International Airport (SBA)	01/99
APG	Instrument Landing System (ILS) for Provincial Airports	01/99
APS	Consolidation and Competition Emerge in ASEAN's Auto Hub	06/99
APS	Vehicles Market Update – 1999	05/99
APS	Asia Automotive	04/99
APS	Parts Makers to Upgrade Their Production	02/99
AUT,FNS,INV	Thailand Commercial Overview January 8-13, 1999	01/99
AUT,FNS,INV	Thailand Commercial Overview January 4-7, 1999	01/99
AVS	Airport Management and Consulting Services	03/99
CONS	Elemental Construction Costs for a Standard Factory, Thailand	05/99
CON	Bang Yai – Bang Pong Motorway	02/99
CON	Prequalification of Construction Contractor for Group Improvements (Landside road system) for Second Bangkok International Airport)	01/99
CPT, CSF, CSV	Y2K Update for Thailand	07/99
CPT, CSF, CSV	IT Developments/Royal Thai Army	07/99
CPT/CSF/CSV	Information Technology Update	04/99
CSF	Software Developments in Thailand	07/99
CSV	Internet Access for Business Travelers in Thailand	06/99
CSV	Internet Service Update	04/99
CSV	Y2K Issues Update	04/99
CSV	E-Commerce Update	04/99

CSV	Computer Maintenance Service	03/99
CSV	Computer and Telecommunication Information Services Internet Access	03/99
EDS,GSV	Opportunities for Training Services in Nong Khai Industrial Estate	07/99
EDS,GSV	Opportunities for Training Services in Siam Cement Industrial Land	07/99
EDS	Education and Training Services	03/99
ELC,EIP	Electronics Industry Update	06/99
ELC, IRN, GIE, FIN	Thailand Commercial Overview February 18-24, 1997	02/99
ELC,IRN,GIE	Thailand Commercial Overview May 3-12, 1999	05/99
ELP	Combined Heat and Power System Project	08/99
ELP	Experts Perspective on Energy Sector Privatization in Thailand	05/99
ELP	Power Plants to be Retired or Rehabilitated	05/99
ELP	Energy Sector Update – Thailand	05/99
ELP	Electric Power Generation and Transmission in Thailand	04/99
ELP	Legal Requirements for Independent Power Producers in Thailand	04/99
ELP	Energy Services Sector	03/99
ELP	EGAT's Budget in Fiscal Year 1999	03/99
ELP	Underground Cable Oil Leakage Detection System	03/99
ELP	Privatization of Ratchburi Power Plant	02/99
ELP	Thailand's Electric Demand Forecast	02/99
ELP	Prequalification of Construction Contractor for Main Transformer Station for Second Bangkok International Airport	01/99
FNS, CPT, TEL	Thailand Commercial Overview July 22 – August 4, 1999	08/99
GIE, FLM, FNS,ELP,CPT, CSF	Thailand Commercial Overview July 1-7, 1999	07/99
FNS, ELP	Thailand Commercial Overview May 27 – June 2, 1999	06/99
FNS,PMR	Thailand Commercial Overview May 20-26, 1999	05/99
FNS, CPT, CSF	Thailand Commercial Overview May 13-19, 1999	05/99
FNS,OGS	Thailand Commercial Overview April 8-28, 99	04/99
FNS, AUT	Thailand Commercial Overview	04/99
FNS	Demand For Financial and Business Services	03/99
FNS,IRN	Thailand Commercial Overview March 18-24, 1999	03/99
FNS, ELP, TEL	Thailand Commercial Overview March 11-17, 1999	03/99
FNS	Banks in Thailand – Recapitalization and Reform	02/99
FNS, PAP	Thailand Commercial Overview, February 11-17, 1999	02/99
IND	ASEAN Supporting Industry Database (ASID) Website	04/99

	Launch	
MIN	Natural Resources Update	01/99
OMS	Must 1998 Trade Exhibition	01/99
PET	No Recession in Pet Food Industry	04/99
TEL,ELP	Expert's Perspectives on Privatization in Thailand	04/99
TRA	Tourist VAT Refunds	04/99
TRA	Tourism Report	04/99
WRE	Pre-qualification of Construction Contractor for Central Utilities for Second Bangkok International Airport	01/99
WRE	Water Resources Development Plan	09/99

SELECTED FY 2000 INDUSTRY SUB-SECTOR ANALYSES (ISA)

<u>Code</u>	<u>Title</u>	<u>Date</u>
AUS	Automotive Service Equipment	08/00
CSV	Banking IT	04/00
CSV/CPT	Networking Products	08/00
DEN	Dental Medical Equipment and Accessories	04/00
DFN	Defense Electronics	09/00
ICH	Petrochemical Industry	05/00
LES	Leasing	08/00
MED	Over-the Counter Pharmaceutical Products	06/00
POL	Overview of Thai Environmental Market	06/00
POL	Air Pollution	07/00
PRT	Port Equipment	09/00
TEL	Telecommunications Industry	07/00

AGRICULTURAL REPORTS

The Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture at the U.S. Embassy in Bangkok prepares a number of agricultural reports. They may be obtained from the FAS office or from the FAS Website: www.fas.usda.gov.

Grain & Feed Report	3/99
Sugar Report	4/99
Tobacco Report	5/99
Oilseeds and Products Report	6/99
Cotton Report	6/99
Poultry Report	6/99
Market Information Report	7/99
Forest Products Report	7/99

CHAPTER XIII: 2000-2001 TRADE EVENT SCHEDULE

ENVIRONMENTAL

ENTECH POLLUTEC ASIA 2001 MAY 16-20, 2001

Profile: The 11th International Exhibition of Environmental Protection and Pollution Control Technology

WATER ASIA 2001

Profile: Thailand's Largest Water Engineering Technology Exhibition

PUMPS & VALVES THAILAND 2001

Profile: Thailand's Only Specialized Pumps, Valves and Fitting Hardware Trade Exhibition

LABTECH 2001

Profile: Thailand's Exhibition on Laboratory, Scientific and Research Equipment and Service

IMAC 2001

Profile: The 5th International Exhibition of Industrial Instrument, Measurement, Analytical and Control Engineering and Technology

Organizer: Miller Freeman (Thailand) Co., Ltd.

Tel: 662-642-6911/8 Fax: 662-642-6919/20

E-mail: mft@thai-exhibition.com

Internet: <http://thai-exhibition.com>

FOOD

THE INTERNATIONAL FOOD & HOSPITALITY SHOW OCTOBER 25-28, 2000

Exhibition Profile: International Hotel, Catering, Food & Beverage Exhibition

Organizer: Bangkok Exhibition Services

Tel: 662-617-1475 Fax: 662-271-3223, 617-1407

E-mail: besshows@samart.co.th

LEATHER GOODS

BANGKOK INTERNATIONAL LEATHER FAIR OCTOBER, 2000

Profile: International Trade Exhibition for Leather Goods

Organizer: Department of Export Promotion

Tel: 662-511-5066/77 Fax: 662-513-1828, 513-4421

MACHINE TOOLS

INTERMACH 2001 MAY 16-20, 2001

Profile: Thailand's No. 1 International Machinery Exhibition

SHEET METAL 2001

Profile: 6th Asian International Sheet Metal Fabrication Technology and Machinery Exhibition

WELDTECH 2001

Profile: Thailand's Specialized Welding Technology Trade Show

Organizer: Miller Freeman (Thailand) Co., Ltd.

Tel: 662-642-6911-8 Fax: 662-642-6919-20

E-mail: mft@thai-exhibition.com

Internet: <http://thai-exhibition.com>

METALTECH THAILAND 2001 NOVEMBER 1-4, 2001

Profile: Thailand's Only Specialized International Machine Tools & Metalworking Exhibition

Organizer: Miller Freeman (Thailand) Co., Ltd.

Tel: 662-642-6911-8 Fax: 662-642-6919-20

E-mail: mft@thai-exhibition.com

Internet: <http://thai-exhibition.com>

EVENTS ORGANIZED/SUPPORTED BY THE COMMERCIAL SERVICE, U.S. EMBASSY, BANGKOK

NOTE: U.S. Companies should consult the Export Promotion Calendar on the National Trade Data Bank (NTDB). Contact your nearest Department of Commerce Export Assistance Centers or call 1-800-USA-TRADE for access information. You can also find information on Thailand on the Internet at: www.usatrade.gov or www.stat-usa.gov

**NEW PRODUCTS USA 2000/MULTI-STATE CATALOG EXHIBITION
SEPTEMBER 28-29, 2000**

Contact: Mrs. Manasikarn Rao

The Commercial Service, U.S. Department of Commerce

U.S. Embassy Bangkok

Tel: 662-205-5282, 205-5090 Fax: 662-255-2915

Email: mr Rao@mail.doc.gov

**MOBILE, ALABAMA TRADE MISSION
OCTOBER 30-31, 2000**

Contact: Mr. David Gossack

The Commercial Service, U.S. Department of Commerce

U.S. Embassy Bangkok

Tel: 662-205-5263, 662-205-5090 Fax: 662-255-2915

Email: david.gossack@mail.doc.gov

AgASIA 2000 NOVEMBER 9-12, 2000

Profile: International Technology Exposition for Asian Agriculture, Agro-Industry, Fishery and Dairy Industries and Conference

Contact: Mr. Pramot Wongvarnrungruang or Mr. Richard Craig

The Commercial Service, U.S. Department of Commerce

U.S. Embassy Bangkok

Tel: 662-205-5273 Fax: 662-255-2915

Email: pwongvar@mail.doc.gov or Richard.Craig@mail.doc.gov

**TELECOMMUNICATIONS SERVICES & EQUIPMENT MISSION
FEBRUARY 1-2, 2001**

Contact: Mr. David Gossack

The Commercial Service, U.S. Department of Commerce
U.S. Embassy Bangkok
Tel: 662-205-5263, 205-5090 Fax: 662-255-2915
Email: david.gossack@mail.doc.gov

**STUDY USA 2001
MARCH 10-11, 2001**

Contact: Mr. Nalin Phupoksakul

The Commercial Service, U.S. Department of Commerce
U.S. Embassy Bangkok
Tel: 662-205-5275, 205-5090 Fax: 662-255-2915
E-mail: nphupoks@mail.doc.gov

**US-ASEAN AUTOMOTIVE TRADE MISSION
APRIL 1-5, 2000**

Contact: Ms. Wanwemol Charukultharvatch

The Commercial Service, U.S. Department of Commerce
U.S. Embassy Bangkok
Tel: 662-205-5275, 205-5090 Fax: 662-255-2915
E-mail: nphupoks@mail.doc.gov